TRANSCRIPT OF RECORD

Supreme Court of the United States

OCTOBER TERM, 1962

No. 23

PAN AMERICAN WORLD AIRWAYS, INC.,
APPELLANT,

vs.

UNITED STATES.

No. 47

UNITED STATES, APPELLANT,

vs.

PAN AMERICAN WORLD AIRWAYS, INC., ET AL.

APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

NO. 23 FILED JULY 25, 1961
NO. 47 FILED DECEMBER 1, 1961
JURISDICTION POSTPONED JANUARY 15, 1962

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1961

No. 257

PAN AMERICAN WORLD AIRWAYS, INC.,
APPELLANT,

vs.

UNITED STATES.

No. 583

UNITED STATES, APPELLANT,

vs.

PAN AMERICAN WORLD AIRWAYS, INC., ET AL.

APPEALS FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

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[fol. 1252]

GOVERNMENT'S EXHIBIT 586

PETER GRACE
RITTERSPARK HOTEL
BAD HOMBURG
No. 34 from NEW YORK July 7, 1951

1 thirtyfour
2 from
3 abs
4 cab
5 issued
6 order
7 friday
8 re
9 opening
10 docket
11 4893
12 national
13 grace
14 control
15 case
16 quote
17 to receive
18 evidence
19 solely
20 on the
21 issue of
22 whether
23 grace
24 have acquired
25 control (of)
26 national
27 within
28 the
29 meaning
30 of
31 section
32 fourzeroeight
33 unquote
34 sentence
35 this means
36 a
37 further
38 hearing
39 on
40 control
41 issue
42 with
43 all the
44 attendant
45 delays
46 and might
47 very well
48 consume
49 6 to 8 months
50 and perhaps
51 longer
52 before
53 decision
54 control
55 issue
56 sentence
57 I
58 fear that
59 in view of this
60 order
61 board
62 might
63 decide
64 on
65 own
66 motion
67 or that
68 of our

69 opponent
70 that
71 even
72 temporary
73 approval of
74 interchange
75 should be
76 deferred until
77 disposition
78 of
79 control
80 issue
81 which
82 *of* course
83 might mean
84 postponement (of)
[fol. 1253]
85 interchange
86 operation
87 for
88 say
89 1 year
90 of what
91 would be
92 worse
93 denial
94 of
95 temporary
96 approval (of)
97 pending
98 outcome
99 balboa
100 new york
101 route
102 pattern
103 proceeding
104 sentence
105 I
106 feel sure
107 that
108 in
109 control
110 case
111 board
112 will order
113 us to
114 sell
115 all or
116 major
117 part
118 our
119 stock (of)
120 interest
121 sentence
122 in view of
123 all of foregoing
124 all
125 here
126 think we should
127 sell
128 stock
129 now
130 thus
131 eliminating
132 control
133 issue
134 altogether
135 and
136 assuring
137 prompt
138 determination
139 interchange
140 sentence
141 from
142 business
143 viewpoint
144 feel that
145 disposing (of)
146 this
147 investment
148 at
149 todays prices

150 and
151 taking into account
152 teds
153 erratic
154 tendencies
155 and
156 probable
157 reduction (of)
158 national
159 mail
160 pay
161 would be
162 attractive
163 operation
164 sentence
165 from panagra
166 viewpoint
157 we might be able to
168 get
169 some
170 indication
171 from
172 board
173 that if
174 stock
175 sold
176 interchange
177 would be
178 approved
179 promptly
180 but even if
[fol. 1254]
181 this
182 impractical
183 action
184 could be
185 dressed
186 up
187 as
188 great
189 gesture
190 by
191 grace
192 again
193 proving
194 our
195 only
196 interest
197 is to
198 help
199 board
200 provide
201 through service
202 in
203 public
204 interest
205 etc.
206 sentence
207 while
208 no immediate
209 decision
210 required
211 please cable
212 your views
213 so that
214 can
215 discuss (with)
216 o'connell
217 cahill
218 both
219 now
220 absent
221 sentence
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[fol. 1255]

GOVERNMENT'S EXHIBIT 587

TULLAROAN
NEW YORK
No. 45

from BAD HOMBURG

July 9, 1951
9:45 pm

1 45134

(45 your 34)
(34 from abs cab issued order friday re opening docket 4893 national grace control case, etc.)

2 shea
3 I agree
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23 much better
24 year
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29 June 30
30 1951
31 which means
32 we
33 will probably be
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39 further
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47 issue
48 we had
49 to his
50 board
51 in such a way that
52 we would
53 probably
54 lose
55 even if

56 we had
57 minority
58 representation
59 sentence
60 only
61 matter
62 that
63 concerns
64 me
65 is
66 capital
67 gains
68 tax
69 and
70 onezerotwo
71 position
72 on
73 approximate
74 one
75 ¼
76 million dollars
77 profit
78 sentence

* * *

152 in any
153 event
[fol. 1256]
154 feel
155 stock
156 should be
157 disposed of
158 immediately
159 you
160 arranging
161 obtain
162 every
163 measure
164 good will.
165 this action
166 presumably
167 using
168 change consonant system
169 merrill
170 lynch
171 to handle
172 special
173 offering
174 if
175 cannot dispose of
176 in
177 manner
178 which would
179 aboid
180 tax
181 liabilities
182 sentence
183 bear in mind (that)
184 change consonant system
185 jock
186 whitney
187 might pay
188 substantial
189 premium
190 to obtain
191 such a
192 big
193 block of
194 an
195 air
196 line
197 as
198 might
199 other
200 large
201 investors
202 who could
203 rarely
204 pick up
205 in
206 one

207 block
208 this
209 much
210 of a
211 successful
212 air
213 line
214 sentence
• • •

[fol. 1257]

GOVERNMENT'S EXHIBIT 588

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Served:

NATIONAL AIRLINES, INC.
PAN AMERICAN-GRACE AIRWAYS, INC.
INTERCHANGE AGREEMENT

Docket No. 3785

PAN AMERICAN WORLD AIRWAYS, INC.
PAN AMERICAN-GRACE AIRWAYS, INC.
THROUGH FLIGHT AGREEMENT

Docket No. 3787

Decided: July 13, 1951

Tentative opinion granting temporary approval of equipment interchange agreement between National Airlines, Inc., and Pan American-Grace Airways, Inc. (Docket No. 3785), rescinded.

Tentative opinion granting temporary approval of Supplement No. 5 to Through Flight Agreement between Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. (Docket No. 3787) rescinded.

Action certifying record to Board for initial decision on temporary aforesaid agreements rescinded.

• • •

BY THE BOARD:

This opinion involves our consideration of exceptions to our opinion and order of April 12, 1951 tentatively approving for a temporary period an interchange agreement (Docket No. 3785) between National Airlines, Inc. (National) and Pan American-Grace Airways, Inc. (Pan- [fol. 1258] agra) and a supplement to a through flight agreement (Docket No. 3787) between Panagra and Pan American World Airways, Inc. (Pan American).[1] The two agreements taken together provide for through, one-plane service between the northeastern part of the United States and various points in South America utilizing Panagra aircraft over the routes of the three carriers parties thereto. Also before us are petitions for reconsideration of our action in the opinion and order of March 16, 1951 certifying the two agreements to the Board for initial decision.[2] In Order Serial No. E-5378, dated May 14, 1951, we consolidated the issues raised by these petitions for oral argument with the argument upon the exceptions to the tentative decision.

* * *

. . . . affect other carriers, and would interfere with a proper disposition of the problem of through service to South America in the *New York-Balboa Through Service Proceeding.* It was also argued that the Board could not [fol. 1259] legally approve the National-Panagra interchange without first deciding the issues raised by the stock holdings of W. R. Grace & Co. (Grace) in National, and that the agreements suffered from certain legal disabilities which made approval impossible. This last argument was

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[1] Order Serial No. E-5282. Pan American, the directors of Panagra who are Pan American nominees, Eastern Air Lines, Inc. (Eastern), Braniff Airways, Inc. (Braniff), Air Line Pilots Association, International (ALPA), the Pan American pilot councils, and the Dade County Port Authority (Greater Miami Traffic Association) filed such exceptions.

[2] Order Serial No. E-5205. Pan American, the directors of Panagra who are Pan American nominees, and Eastern filed such petitions.

predicated on the ground that the effectiveness of the National-Panagra interchange agreement depended on certain conditions precedent which have now failed.

The proponents of the tentative decision opposed each of these contentions. On the affirmative side they urged that the operation of the proposed through service was in the public interest and should be given a chance.

A brief resumé of the factual background of the two agreements before us will give a clear picture of the problems now faced by the Board.

Grace and Pan American are co-owners of Panagra, whose routes extend between Balboa and Buenos Aires, with each owning 50 per cent of the stock of the latter air carrier. The controlling interests were acquired prior to the effective date of the Civil Aeronautics Act and consequently the acquisition never came before the Board for approval. The situation has been productive of a long period of strife between the two co-owners which has principally centered around the future development of Panagra.

The earlier history of this controversy is set forth in our decisions in the Panagra Terminal Investigation[5] and in the [fol. 1260] Latin America Air Service Case.[6] Following the latter decision, which, among other things, awarded Braniff a certificate authorizing it to operate between the United States and South America, Pan American and Panagra (with Grace concurring) agreed upon an arrangement, known as the Through Flight Agreement, under which Panagra's planes with crews could operate between Balboa and Miami over Pan American's route under charter to the latter. This arrangement would enable the two air carriers to provide through one-plane service between Miami and various points on Panagra's routes in South America. There was also a companion management agreement. The whole package was presented to the Board as an effort to settle the long standing difficulties between

[5] 4 C.A.B. 670 (1944).

[6] *Supra*, 6 C.A.B. at pp. 913-14.

Grace and Pan American. The arrangements were approved by us in May, 1947,[7] for a period of three years which was later extended pending decision on the agreements now before us.

During the winter of 1948-1949, while there was pending a Board investigation of National's routes and operations, National and Grace carried on negotiations for stock purchases and an interchange agreement. This resulted in the purchase by Grace during March, 1949, of approximately 174,000 shares of the stock of National or about 18 per cent of the latter's outstanding shares. Pan American also entered the negotiations with the result that there [fol. 1261] was presented to us for approval a series of transactions embracing the following:

(1) An option by Pan American to acquire 30 per cent of National's stock;

(2) An interchange agreement between National and Pan American by which planes of the latter would operate over National's New York-Miami route under charter to National;

(3) The interchange agreement between National and Panagra which we are now considering;

(4) Supplement No. 5 to the Through Flight Agreement, which we are here also now considering, to extend the latter to 1960 and to give Panagra the right to operate the Panagra aircraft coming into Miami under that agreement over National's route to New York pursuant to the National-Panagra arrangement.

The agreements were so drafted as to condition the effectiveness of the National-Panagra interchange upon Board approval of both the Pan American option to acquire National stock and the Pan American-National interchange.[8] The Supplement to the Through Flight Agreement also contained a provision giving Pan American the right to

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[7] Order Serial No. E-570.

[8] Paragraph 18 of the National-Panagra agreement.

require Panagra to termin · the Panagra-National interchange in the event the c .aditions precedent noted above were not fulfilled.[9]

Public hearings were held on these arrangements under appropriate provisions of the Civil Aeronautics Act as part of the consolidated proceeding in Docket No. 3500 involving our investigation of National's routes. National, Pan American, Panagra, and Grace all supported the arrangements in these hearings. A substantial delay in the processing of the agreements occurred as a result of the inability of National-Panagra-Pan American to agree on a rate of [fol. 1262] return applicable to the investment in leased aircraft which would be a part of the fee for the lease therefor under the interchange agreements. At one time we ordered dismissal of the arrangements because of the inability of the parties to complete their transactions. We finally concluded, however, that, after the time and effort expended, the public interest lay in our considering the transactions on their merits in spite of the lack of agreement on a rate of return. We, therefore, in the fall of 1950 moved toward a completion of this consideration.

At that juncture National advised Pan American that it did not wish to go forward with the option arrangement by which Pan American was to acquire 30 per cent of its stock but that it did desire to put into effect the two interchange agreements to which it was a party. Pan American refused to go ahead with the interchanges without the stock options and advised both National and Grace accordingly. Pan American also moved the Board to dismiss all of the applications for approval of the transactions. It further made an effort to obtain the consent of the Grace interests to the participation of Panagra in an Eastern-Pan American interchange agreement which was then being negotiated. This was refused and the Panagra management advised the Board that it desired to go forward with the Panagra-National interchange.

This was the situation which confronted us at the time we issued our March 16th order and our tentative opinion

[9] Paragraph 58 of Supplement No. 5.

of April 12th. It was clear that there was no purpose to be [fol. 1263] served in considering the Pan American-National stock option arrangement and the Pan American-National interchange since these had been presented as purely voluntary transactions and one of the two parties to each had withdrawn. We therefore dismissed the applications for their approval.

The National-Panagra interchange and Supplement No. 5 to the Through Flight Agreement appeared to present an entirely different problem. Both National and Panagra's management desired to place their agreement into effect.[102] Neither Panagra nor Pan American had requested dismissal of Supplement No. 5. Thus, it appeared to the Board that the actual parties to the two agreements might be willing to proceed. There also appeared to be general agreement that a through service between points in the northeastern part of the United States and South America was in the public interest and this view had in fact been urged by all parties to the agreements. In addition, more than two years of time and public money had been devoted to consideration of the arrangements. We did not believe that this effort should be wasted.

It was clear that a more comprehensive and long range solution of the through service problem must await further proceedings which in the light of legal requirements would [fol. 1264] take a substantial period of time. We felt that if it were at all feasible some through service should be provided during the interim. This could best be accomplished by a temporary approval of the National-Panagra interchange and the Supplement to the Through Flight Agreement. The facts all pointed to the desirability of considering the Panagra-National interchange and Supplement No. 5 as a means of providing an interim solution to the problem of through service between the northeastern part of the United States and Latin America, even though the National-Pan American transactions had failed.

[102] The management of Panagra asserted the authority to speak for Panagra despite an even split of the carrier's Board of Directors and a challenge to the management's authority by that 50 per cent of the Board of Directors who are Pan American nominees

The briefs and oral argument have failed to alter our conclusion in the tentative opinion that an interim through service between the areas involved is in the public interest. However, the briefs and argument have focussed our attention upon a number of substantial problems which would have to be met before such an interim service could be put into operation. These are, among others:

(1) There have been emphasized the several procedural problems cited above. These raise substantial questions of law on which there is no clear authority.

(2) There has been raised the question of the impact of the proposed service upon air transportation in the areas involved by the Grace stock acquisitions in National regardless of whether these amount to control of National under section 408 of the Civil Aeronautics Act.

[fol. 1265] This is a problem which will be fully explored in Docket No. 4893, the proceeding inquiring into whether there is Grace control of National, and Docket No. 4882, the New York-Balboa Through Service proceeding.

(3) There has been raised the issue of the impact of the proposed interim service on both Eastern and Braniff, particularly the latter.

(4) Pan American has made it clear that it is unalterably opposed to the temporary operation of the National-Panagra interchange. It has contended that there is no valid agreement without its consent because of the conditions precedent to the effectiveness of the agreement (the National-Pan American interchange and the Pan American stock acquisition in National). It has also exercised the option expressly granted it by Supplement No. 5 to the Through Flight Agreement to call upon Panagra to terminate the Panagra-National interchange. In addition, on April 27, 1951, Pan American modified the application previously filed by it for approval of Supplement No. 5, to ask for approval of only such parts thereof as do not relate to the National-Panagra interchange.

The Panagra management and Grace have argued that the National-Panagra interchange and Supplement No. 5

are valid and existing agreements. They contend that Pan American's present opposition to the National-Panagra arrangement is part of an unlawful plan to restrain com- [fol. 1266] petition. They further argue that the various contract provisions cited above on which Pan American relies are restraining clauses forced on Panagra and are void and unenforceable as restraints of competition violative of public policy and the Sherman Act. They conclude that the National-Panagra interchange can be enforced without these clauses.

If we should make final our tentative opinion and order approving the two agreements now before us, it would be necessary to dispose of all of these serious problems. If we were here considering the question of permanent approval of the agreements and the provision of a permanent through service, such an undertaking would, of course, be a part of our normal responsibilities. However, in our opinion the advantages that would flow from an interim service are not sufficient to warrant undertaking the solution of the foregoing problems, particularly in view of the apparent fact that our efforts would end in a futility. Since the National-Panagra interchange was presented to us as a voluntary proposal, all that we can do by our order is to give it permission to operate. Its immediate activation depends upon the affirmative cooperation of three carriers—National, Panagra, and Pan American. The management agreement between Pan American and Grace with respect to the conduct of the affairs of Panagra obviously is not working. There was a short period of cooperation immediately following the entering into the management [fol. 1267] agreement subsequent to the certification of Braniff in the Latin American Case. As is evident, however, that cooperative effort did not last, and the breach between Grace and Pan American, which is made clear by the briefs and argument in this proceeding, has not only foreclosed such cooperation, but gives every prospect of positive opposition. Such opposition is obviously encouraged by the many substantial legal problems presented. National and Panagra might, of course, after prolonged judicial controversy establish their right to operate the agreement

as it now stands. However, it is clear that whatever the ultimate outcome might be, there is no chance of the interim service by a cooperative effort of the air carriers concerned which we contemplated being established. There would be merely a further expenditure of the time and effort of the Board and its staff to establish the validity of arrangements which would never be activated. This effort we believe can better be expended in processing as expeditiously as possible our consideration of through service in the New York-Balboa through service proceeding where we have the power to direct through service found to be required in the public convenience and necessity.

National and the Panagra management have suggested that we here simply order the two agreements to be activated. We do not believe that in this proceeding we can take such action. The agreements were presented to us as voluntary arrangements and have so been considered all [fol. 1268] the way through the proceeding. At no time have the parties been given notice of possible compulsory action in the premises by the Board. As indicated above, the new through service proceeding in Docket No. 4882 does contemplate compulsory action to accomplish what may there be found to be in the public interest and the participants have so been placed on notice. However, such action is not here possible.

It is indeed regrettable from the standpoint of United States aviation that the situation created by the parties is such that they cannot voluntarily put into operation on an interim basis the voluntary agreements filed with us and supported by all of them during the public hearings thereon. The reasons therefor grow out of the relationship outlined above and our action here will not solve this inherent difficulty. In this situation we conclude that the balance of the public interest lies in getting on with our efforts in Docket No. 4882 in which the Board can take positive action by requiring the establishment of appropriate interchanges or the granting of appropriate route extensions.

We, therefore, find that it would be inconsistent with and adverse to public interest to make final the temporary ap-

proval tentatively granted the National-Panagra interchange and Supplement No. 5 to the Through Flight Agreement in our opinion and order of April 12th. Accordingly, we will rescind the tentative approval of the aforesaid [fol. 1269] agreements contained in our order of April 12, 1951, Serial No. E-5282, and also rescind paragraphs 5 and 6 of our order dated March 16, 1951, Serial No. E-5205, insofar as said paragraphs certified the record to the Board for initial decision on the issue of temporary approval of such agreements.

It is our intention to expedite the New York-Balboa Through Service proceeding as rapidly as possible to determine the issues surrounding through service to Latin America. A prehearing conference in the proceeding is already scheduled. We have further directed that hearings begin not later than October 1, 1951, and that later procedural steps not be delayed.

An appropriate order will be entered.

Nyrop, Chairman, Ryan, Lee, Adams, and Gurney, Members of the Board, concurred in the above opinion.

[fol. 1270]

GOVERNMENT'S EXHIBIT 589

Minutes of Adjourned Regular Meeting of the Board of Directors of Pan American-Grace Airways, Inc held at the office of Pan American World Airways, Inc, 135 East 42nd Street, New York, N Y on the 18th day of July, 1951 at 4:30 o'clock in the afternoon.

PRESENT:

Messrs Erwin Balluder
Howard L Clark
Henry J Friendly
John C Leslie
H J Roig
Andrew B Shea

being a quorum of the Board.

Mr Shea, President, presided. Mr Cogswell, Secretary, acted as Secretary of the meeting.

* * *

Mr. Balluder called attention to the fact that, by virtue of Civil Aeronautics Board Order No. E-5389, dated May 18, 1951, one of the issues to be considered in the *Through Service* proceeding was whether or not it would be in the public interest for Panagra to participate in the Agreement dated January 27, 1951 between Pan American World Airways, Inc and Eastern Air Lines, Inc, and that another issue to be considered in said proceeding was whether the Board should compel Pan American to enter into an interchange with National at Miami utilizing equipment chartered from Panagra for operation over Pan American's Panama-Miami route. Mr. Balluder stated that question might arise at the prehearing conference as to whether Panagra [fol. 1271] as a company would take any position as to the relative merits of these two proposals, and that he felt this was a matter which the director should discuss.

Mr Friendly stated that, when he and Mr Trippe had taken the proposed agreement with Eastern to Messrs Grace and Shea in January, 1951, the chief reason assigned by Messrs Grace and Shea for preferring an interchange with National was their claim that, because of the hearing which had already been had in Docket No. 3500, an interchange with National could be more readily implemented. This also was the reason assigned in Mr Shea's unauthorized letter of January 25, 1951 to Chairman Rentzel. This argument, of course, would not apply to Docket No. 4882, since the Civil Aeronautics Board would be here considering a permanent solution to the through service problem.

Mr Balluder stated that it seemed evident to Mr Leslie, Mr Friendly and himself that an interchange with Eastern would be far more in Panagra's interest than one with National. An interchange with Eastern would be consistent with the outstanding route pattern and would enable Panagra to compete more effectively with Braniff which had its own domestic system. Since the reason previously as-

signed by the Grace representatives for preferring an arrangement with National did not apply in Docket No. 4882, the directors nominated by Pan American wished to know what the views of their Grace colleagues on this question were.

[fol. 1272] Mr. Shea stated that the primary interest of the Grace representatives on the Panagra Board is that Panagra should come through to New York whether by means of an exchange with National or Eastern or on its own certificate, although the latter question is not presently in Docket No. 4882. He said he considers it in the best interest of Panagra to keep open all three possibilities and if Panagra should support an Eastern interchange, an interchange with National might be impractical.

Mr. Friendly stated that the directors nominated by Pan American were also in favor of a proper interchange arrangement that would bring Panagra's aircraft into New York. However, it seemed evident to them that an interchange with Eastern would be preferable from Panagra's standpoint to one with National, with the prospect of a concomitant Braniff-Eastern interchange which the Civil Aeronautics Board's opinion held out.

Mr. Balluder thereupon offered the following motion, which was seconded by Mr. Leslie:

WHEREAS, participation by Panagra in the interchange agreement between Eastern Air Lines, Inc. and Pan American World Airways, Inc. dated January 27, 1951, would be consistent with the plan of Latin American air service adopted by the Civil Aeronautics Board and the President in 1946, and would be advantageous to Panagra; and

WHEREAS, on the contrary, a compulsory interchange between Pan American and National at Miami, utilizing Panagra equipment chartered to Pan American for operation between the Canal Zone and Miami [fol. 1273] and return, would be destructive of the said plan of Latin American air service and, as indicated in opinions of the Civil Aeronautics Board, would probably lead to extension of Eastern to Havana to

connect with Braniff or of Braniff to Miami to connect with Eastern, either of which would be disadvantageous to Panagra;

NOW, THEREFORE, BE IT RESOLVED: That the officers of Panagra be and they hereby are authorized and directed to advise the Civil Aeronautics Board that Panagra is willing that its aircraft now chartered to Pan American for operation between the Canal Zone and Miami and return should be further chartered to Eastern for operation north of Miami substantially as provided for in the abovementioned agreement between Pan American and Eastern, and to take all steps in proceedings before the Civil Aeronautics Board that are appropriate to obtaining approval thereof.

Vote being had, said resolution failed to pass, Messrs. Balluder, Friendly and Leslie voting in favor and Messrs. Clark, Roig and Shea voting against.

Mr. Friendly stated he could see why the directors nominated by Grace would not want to burn any bridges and that it had occurred to him that their negative vote on Mr. Balluder's motion might have been occasioned by objections to the preambles. The interest of the directors nominated by Pan American was in obtaining a declaration that Panagra would be willing to participate in an interchange with Eastern if this were approved by the Board, and it seemed to him that Mr. Shea's initial statement made it clear that this was in fact the case. He thereupon moved the following resolution, which was seconded by Mr. Balluder:

RESOLVED: That the officers of Panagra be and they hereby are authorized and directed to advise the [fol. 1274] Civil Aeronautics Board that Panagra would be willing that its aircraft now chartered to Pan American for operation between the Canal Zone and Miami and return should be further chartered to Eastern for operation north of Miami substantially as provided in the agreement dated January 27, 1951 be-

tween Pan American World Airways, Inc and Eastern Air Lines, Inc, in the event that such agreement should be approved by the Civil Aeronautics Board.

Voting being had, said resolution failed to pass, Messrs Balluder, Friendly and Leslie voting in favor and Messrs Clark, Roig and Shea voting against.

In respect to the foregoing resolution, Mr. Shea pointed out that Panagra's position is a delicate one in view of pending decision of the Civil Aeronautics Board on the National interchange.

Mr. Balluder stated that, in view of the equal division of opinion among the directors, he assumed that Panagra as a company would take no position with respect to the relative merits of the proposals as to the further chartering to National, on the one hand, or to Eastern, on the other, of Panagra's aircraft which are chartered to Pan American for operation between the Canal Zone and Miami, and return. He asked for a confirmation from Mr. Shea on this point.

Mr. Shea stated that as chief executive he could not give this confirmation and that he intended to express the views that he thought would best serve the interests of the company.

* * *

There being no further business, the meeting adjourned.

....

Chairman

....

Secretary

[fol. 1275]

Government's Exhibit 590

"WU021 LONG PD WASHINGTON DC JULY 23 1945A HENRY FRIENDLY PAN AMERICAN AIRWAYS INC THE FOLLOWING TELEGRAM HAS TODAY BEEN SENT TO EXAMINER JAMES S. KEITH. QUOTE G T BAKER HAS PURCHASED THE 174,000 SHARES OF NATIONAL AIRLINE STOCK FORMERLY OWNED BY W R GRACE & CO WE SUBMIT NOTHING WILL BE GAINED BY CONTINUING INVESTIGATION OS STOCK ACQUISITION DOCKET NO 4893 AND W R GRACE & CO JOINS NATIONAL IN REQUESTING DISMISSAL OF THIS PROCEEDING INCLUDING CANCELLATION OF PREHEARING CONFERENCE COPIES TO COUNSEL FOR PAN AMERICAN BRANIFF EASTERN AND BUREAU COUNSEL UNQUOTE

JOHN W CROSS

[fol. 1276]

Government's Exhibit 591

CONFIDENTIAL January 17, 1952

MEMORANDUM

At Mr. Peter Grace's request, I met with him at lunch today at the Cloud Club. During the luncheon, he stated his objectives were:

(1) To ask whether we would be willing to vote in favor of Mr. Howard Clark as President of Panagra so as to relieve Mr. Shea whom he said was too valuable a man to be occupied to the extent required as President of Panagra. He stated that Grace & Co. had taken a 20% interest in a Baltimore chemical company and had become very active in that industry both here and in Germany—that he personally had made a half a dozen trips to Europe and also to South America during the past year on general Grace business and wanted to use Mr. Shea's full time to take over more of this work.

(2) He wished to inquire whether we were not prepared to drop the pending action before the CAB. He stated that if it went forward, the Department of Justice would probably intervene, and that the ultimate result could well be both Grace and Pan American being separated from Panagra.

He stated the fight, if it went forward, could be a dirty one with no holds barred; that Mr. Cahill had planned on a number of maneuvers which would be most embarrassing to Pan American inferring that the Grace directors, with this objective, would soon make a request on the Panagra Board for authority to apply for new routes.

He stated that the Government had supported Panagra through subsidies as an "independent entity" over the years, and that as such it was entitled to operate entirely independent of Pan American and to achieve its ultimate destiny of operating an airline between Buenos Aires and New York.

He stated Grace & Co. was unhappy with the interchange agreement which contemplated its aircraft being turned over to Pan American at the Canal Zone. He pointed out that some of his friends had complained about the kind of breakfast that Pan American had placed aboard the ship at the Zone stating this adversely affected Panagra although Panagra was not responsible.

I briefly referred to the fact that Pan American also was unhappy; that we had entered a partnership with Grace in [fol. 1277] good faith in 1928 under certain definite provisions contemplating the West Coast extension would operate under our management and as an extension and integral part of the Pan American system. This relationship has been amended with respect to management in an effort to appease Grace in 1939, and further amended in 1946, all in an effort to bring about peace and harmony between the two stockholders. Mr. Grace stated that the 1946 agreement was simply a reaffirmation of the 1939 agreement—no new changes in control were provided for. He went on to say that the situation continued unchanged until the meetings in January between Mr. Shea and himself and Mr. Friendly and myself when he and Mr. Shea refused to acquiesce in our suggestion that an interchange agreement

be made with Eastern. He readily admitted that he and Mr. Shea had made a grave mistake at that time and were now publicly admitting it before the Board. It was for that reason he said that he had taken his pride in his hands and asked for the meeting today.

Mr. Grace stated were we to withdraw our petition before the CAB, the situation would revert to that which obtained a year ago when Mr. Shea and he had refused to join us in having Panagra conclude an interchange agreement with Eastern. Were we to withdraw our petition to oust them from the management, he felt there could be harmony between the two stockholders—there being no other present differences between us that he knew of.

He reaffirmed, however, that under no conditions would Grace willingly relinquish its management of Panagra. He said he considered Grace was turning in a fine management job and he questioned whether this would be the case under Pan American management because of the, as he saw it, serious conflict of interests and competitive nature of the two operations in Latin America.

He reaffirmed his view that the Government had invested much money in subsidizing Panagra, and that the company was therefore entitled to operate as an independent enterprise. His ultimate objective, he stated was to have Panagra operate in its own name between New York and Buenos Aires, and he knew this never would be achieved under Pan American management.

He stated Pan American had done a magnificent job—the best in the industry. He said its management was considered "absolute tops" and he paid me the compliment of saying that he thought I was one of the best executives in the country.

He stated if we went ahead with the petition to oust Grace from the Panagra management, all his directors knew they [fol. 1278] were in for the toughest sort of fight, and that there was a real chance they would ultimately be ousted—but in the fracas he stated he was confident Pan American also would be hurt.

Mr. Grace stated he was leaving for California the end of next week, and he would hope that by Wednesday, January 23, I would let him know whether (a) Pan American would agree to withdraw its petition before the CAB, and (b) Whether, in that event, we would agree to elect Mr. Howard Clark as President of Panagra. I indicated I would let him know our decision at that time or before after conferring with my associates.

J. T. T.

[fol. 1284]

Preliminary Statement With Respect to Certain Statistical Sources Used

INS statistics

The Immigration and Naturalization Service of the U.S. Department of Justice has for many years compiled statistics on passenger travel by air and by sea from manifests or lists of passengers entering or leaving the United States. These statistics, referred to herein as "INS statistics," include both revenue and non-revenue passengers traveling on commercial (either scheduled or non-scheduled) and private vessels or planes, but exclude crew personnel, U.S. military personnel on military craft, and sea cruise traffic.

The passengers are recorded by the INS according to the foreign country at which they disembarked from the craft that carried them out of the U.S., or the foreign country at which they embarked on the craft that brought them into the U.S.[1] Thus, the U.S.-South American traffic presented herein from this statistical source includes only those passengers who sailed or flew all the way to South America (or from South America) on the same vessel or plane on which they left the U.S. (or arrived in the U.S.). Passengers traveling between the U.S. and South America who changed vessels or planes at some Central American or Caribbean Island point are not covered by these statistics.

[fol. 1285] The point of departure from the U.S. (or point of arrival in the U.S.) is recorded by the INS according to the place at which the passenger boarded (or disembarked from) the same vessel or plane that sailed or flew him out of the U.S. (or into the U.S.). No information is tabulated by the INS on the origin or destination of the complete journey of the travelers, nor on the names of the operators of the ships or planes involved, but a breakdown is provided which shows the number of passengers who used U.S. flag and foreign flag carriers.

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[1] No data are tabulated for individual ports within a foreign country.

O-D Survey of CAB

The Civil Aeronautics Board compiles statistics on passengers traveling by air outside the United States in two months of each year—March and September—which are presented in the International Section of a report entitled *Origin-Destination Airline Revenue Passenger Survey*, referred to herein as the "O-D Survey." These statistics are compiled on the basis of tickets lifted from revenue passengers in the two months on scheduled flights in which a certificated U.S. flag air carrier participated. This survey does not cover any non-revenue passengers and any passengers on non-scheduled flights or on private craft (these types of passengers are included in the INS statistics). The O-D Survey data presented herein were derived from a special machine tabulation prepared by the CAB from the same punch cards that were used in preparing the International Section of the report referred to above.

[fol. 1286] The O-D Survey provides the points of origin and destination of the complete air journeys of the passengers (as indicated by their tickets), and the names of the U.S. flag air carriers (including also connections with U.S. domestic air carriers and foreign flag air carriers, if any) who participated on such journeys. Passengers originating air journeys in the U.S. and completing such journeys in South America (or completing journeys in the U.S. which originated in South America) are included in the U.S.-South American air traffic figures for U.S. flag carriers in the exhibits herein which were compiled from the O-D Survey. It is to be noted that these data include passengers who changed planes at Central American or Caribbean Island points (such passengers are missed by the INS statistics, as noted above).

It should also be observed that the O-D Survey figures reflect more precisely than the INS statistics the sections of the United States from (or to) which the U.S.-South American traffic is generated (or destined) and the South American countries of final destination (or origin) of such traffic. In addition, the O-D Survey provides information (not available from the INS) which makes it possible to determine how many of the U.S.-South American air pas-

sengers were carried on their journeys with Pan American or Panagra participation, as indicated herein in the exhibits which present data for U.S. flag carriers from that Survey. (Note: No data are presented for 1951 since the O-D Survey was not published for either March or September of that year.)

[fol. 1287] Maritime Administration Records

The Maritime Administration maintains machine tabulation records which include data on the number of passengers and tons of dry cargo carried each year by all U.S. flag and foreign flag vessels on designated sea trade routes connecting certain coastal areas of the United States with specified foreign coastal areas. These records were prepared on the basis of reports filed for individual voyages on Forms MA-7801 and 7802 by the ship operators of dry cargo vessels that entered or cleared United States ports during the year. Statistics compiled from these records are presented herein for liner service operations on three trade routes—two of which are served by the Grace Line and one by a Grace affiliate (Gulf and South American Steamship Co.)—which link the principal U.S. coastal areas with the West Coast of South America. Data for the Grace Line and its affiliate were secured largely from these machine tabulation records, but in certain instances when sufficiently detailed information was not shown (such as data for separate ports) a special hand tabulation was made from information appearing on the forms filed with the Maritime Administration by the Grace Line for individual voyages.

The classification of vessels in liner service is that used by the Maritime Administration. The Grace Line and its affiliate (Gulf and South American Steamship Co.) are liner service operators, which means they are common carriers that conduct scheduled berth-service operations. Liner service does not include industrial service operations (sailings in connection with the industrial operation of a specific firm), tramp vessels, and other types of irregular or unscheduled sailings.

[fol. 1288]

Government's Statistical Exhibit 1

PASSENGERS CARRIED BY AIR AND BY SEA
BETWEEN THE UNITED STATES AND SOUTH AMERICA,
1931-57

Year 1/	Total Number of Passengers	By Air Number	By Air % of Total	By Sea Number	By Sea % of Total
1931	23,784	130	.5	23,654	99.5
1932	17,948	269	1.5	17,679	98.5
1933	15,294	339	2.2	14,955	97.8
1934	17,397	522	3.0	16,875	97.0
1935	19,250	576	3.0	18,674	97.0
1936	24,011	640	2.7	23,371	97.3
1937	27,123	1,522	5.6	25,601	94.4
1938	27,426	1,390	5.1	26,036	94.9
1939	30,123	2,254	7.5	27,869	92.5
1940	38,284	2,662	7.0	35,622	93.0
1941	42,439	3,769	8.9	38,670	91.1
1942	33,138	12,495	37.7	20,643	62.3
1943	43,657	40,957	93.8	2,700	6.2
1944	27,495	24,954	90.8	2,541	9.2
1945	21,716	18,762	86.4	2,954	13.6
1946	37,135	24,400	65.7	12,735	34.3
1947	73,525	53,707	73.0	19,818	27.0
1948	130,121	91,113	70.0	39,008	30.0
1949	135,871	90,180	66.4	45,691	33.6
1950	130,812	88,179	67.4	42,633	32.6
1951	157,106	122,835	78.2	34,271	21.8
1952	163,737	127,940	78.1	35,797	21.9
1953	160,593	127,250	79.2	33,343	20.8
1954	174,348	140,635	80.7	33,713	19.3
1955	189,979	154,930	81.6	35,049	18.4
1956	212,213	178,844	84.3	33,369	15.7
1957	252,252	211,641	83.9	40,611	16.1

1/ Fiscal years ending June 30 for 1931 through 1949; calendar years for 1950 through 1957.

SOURCE: Immigration and Naturalization Service, United States Department of Justice.

[fol. 1290]

Government's Statistical Exhibit 3

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1957

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and South America				
Total U.S. flag	10,819	13,447	12,133	100.0
Pan American and Panagra	8,481	9,770	9,126	75.2
Pan American 1/	5,260	6,668	5,964	49.1
Panagra participation	3,221	3,102	3,162	26.1
With Pan American	2,900	2,893		
With other airlines	321	209		
Other U.S. flag carriers	2,338	3,677	3,007	24.8
Between Eastern U.S. 2/ and South America				
Total U.S. flag	6,658	8,713	7,685	100.0
Pan American and Panagra	6,067	7,493	6,779	88.2
Pan American 1/	3,856	5,137	4,496	58.5
Panagra participation	2,211	2,356	2,283	29.7
With Pan American	2,022	2,222		
With other airlines	189	134		
Other U.S. flag carriers	591	1,220	906	11.8

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-[illegible] Survey of CAB.

[fol. 1291]

Government's Statistical Exhibit 4

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1956

Areas	Number of passengers		Average per month	
	March	September	Number	% of total
Between U.S. and South America				
Total U.S. flag	9,042	11,642	10,342	100.0
Pan American and Panagra	7,280	9,052	8,166	79.0
Pan American 1/	4,480	5,675	5,078	49.1
Panagra participation	2,800	3,377	3,088	29.9
With Pan American	2,672	3,293		
With other airlines	128	84		
Other U.S. flag carriers	1,762	2,590	2,176	21.0
Between Eastern U.S. 2/ and South America				
Total U.S. flag	5,956	7,551	6,754	100.0
Pan American and Panagra	5,433	6,859	6,146	91.0
Pan American 1/	3,369	4,304	3,836	56.8
Panagra participation	2,064	2,555	2,310	34.2
With Pan American	1,977	2,504		
With other airlines	87	51		
Other U.S. flag carriers	523	692	608	9.0

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1292]

Government's Statistical Exhibit 5

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING
U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1955

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and South America				
Total U.S. flag	9,327	10,355	9,841	100.0
Pan American and Panagra	7,608	8,039	7,824	79.5
Pan American 1/	4,597	4,987	4,792	48.7
Panagra participation	3,011	3,052	3,032	30.8
With Pan American	2,833	2,960		
With other airlines	178	92		
Other U.S. flag carriers	1,719	2,316	2,017	20.5
Between Eastern U.S. 2/ and South America				
Total U.S. flag	5,909	6,859	6,384	100.0
Pan American and Panagra	5,355	6,119	5,737	89.9
Pan American 1/	3,317	3,853	3,585	56.2
Panagra participation	2,038	2,266	2,152	33.7
With Pan American	1,945	2,199		
With other airlines	93	67		
Other U.S. flag carriers	554	740	647	10.1

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1293]

GOVERNMENT'S STATISTICAL EXHIBIT 6

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1954

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and South America				
Total U.S. flag	7,656	10,322	8,989	100.0
Pan American and Panagra	5,976	8,256	7,116	79.2
Pan American 1/	3,923	5,258	4,590	51.1
Panagra participation	2,053	3,002	2,528	28.1
With Pan American	1,987	2,932		
With other airlines	66	70		
Other U.S. flag carriers	1,630	2,002	1,871	20.8
Between Eastern U.S. 2/ and South America				
Total U.S. flag	5,071	7,078	6,074	100.0
Pan American and Panagra	4,475	6,476	5,475	90.1
Pan American 1/	3,079	4,199	3,639	59.9
Panagra participation	1,396	2,277	1,836	30.2
With Pan American	1,358	2,240		
With other airlines	38	37		
Other U.S. flag carriers	596	602	599	9.9

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1294]

GOVERNMENT'S STATISTICAL EXHIBIT 7

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1953

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and South America				
Total U.S. flag	6,803	8,451	7,627	100.0
Pan American and Panagra	5,162	6,555	5,858	76.8
Pan American 1/	3,232	4,063	3,647	47.8
Panagra participation	1,930	2,492	2,211	29.0
With Pan American	1,880	2,433		
With other airlines	50	59		
Other U.S. flag carriers	1,641	1,896	1,769	23.2
Between Eastern U.S. 2/ and South America				
Total U.S. flag	4,565	5,855	5,210	100.0
Pan American and Panagra	3,966	5,311	4,639	89.0
Pan American 1/	2,523	3,354	2,939	56.4
Panagra participation	1,443	1,957	1,700	32.6
With Pan American	1,411	1,913		
With other airlines	32	44		
Other U.S. flag carriers	599	544	571	11.0

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1295]

Government's Statistical Exhibit 8

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1952

Areas	Number of Passengers		Average per month	
	March	September	Number	% of total
Between U.S. and South America				
Total U.S. flag	7,793	8,338	8,065	100.0
Pan American and Panagra	6,562	6,361	6,461	80.1
Pan American 1/	4,780	4,179	4,479	55.5
Panagra participation	1,782	2,182	1,982	24.6
With Pan American	1,750	2,133		
With other airlines	32	49		
Other U.S. flag carriers	1,231	1,977	1,604	19.9
Between Eastern U.S. 2/ and South America				
Total U.S. flag	5,835	5,787	5,811	100.0
Pan American and Panagra	5,422	5,118	5,270	90.7
Pan American 1/	4,048	3,398	3,723	64.1
Panagra participation	1,374	1,720	1,547	26.6
With Pan American	1,363	1,691		
With other airlines	11	29		
Other U.S. flag carriers	413	669	541	9.3

1/ With no Panagra participation.

2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1296]

Government's Statistical Exhibit 9

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1950

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and South America				
Total U.S. flag	4,734	9,695	7,214	100.0
Pan American and Panagra	4,006	8,703	6,354	88.1
Pan American 1/	2,652	6,321	4,486	62.2
Panagra participation	1,354	2,382	1,868	25.9
With Pan American	1,336	2,359		
With other airlines	18	23		
Other U.S. flag carriers	728	992	860	11.9
Between Eastern U.S. 2/ and South America				
Total U.S. flag	3,593	8,175	5,884	100.0
Pan American and Panagra	3,467	7,859	5,663	96.2
Pan American 1/	2,328	5,822	4,075	69.2
Panagra participation	1,139	2,037	1,588	27.0
With Pan American	1,134	2,023		
With other airlines	5	12		
Other U.S. flag carriers	126	316	221	3.8

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1297]

Government's Statistical Exhibit 10

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1957

Areas	Number of Passengers		Average per month	
	March	September	Number	% of total
Between U.S. and Western South America 3/				
Total U.S. flag	2,633	2,895	2,764	100.0
Pan American and Panagra	2,271	2,381	2,326	84.2
Pan American 1/	123	131	127	4.6
Panagra participation	2,148	2,250	2,199	79.6
With Pan American	1,937	2,133		
With other airlines	211	117		
Other U.S. flag carriers	362	514	438	15.8
Between Eastern U.S. 2/ and Western South America 3/				
Total U.S. flag	1,757	2,079	1,918	100.0
Pan American and Panagra	1,600	1,824	1,71[illegible]	89.3
Pan American 1/	72	64	68	3.6
Panagra participation	1,528	1,760	1,644	85.7
With Pan American	1,400	1,678		
With other airlines	128	82		
Other U.S. flag carriers	157	255	206	10.7

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Western Colombia, Ecuador, Peru, Bolivia, Chile and Argentina, except Buenos Aires.

SOURCE: O-D Survey of CAB.

[fol. 1298]

Government's Statistical Exhibit 11

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1956

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and Western South America 3/				
Total U.S. flag	2,438	3,042	2,740	100.0
Pan American and Panagra	2,203	2,663	2,433	88.8
Pan American 1/	183	97	140	5.1
Panagra participation	2,020	2,566	2,293	83.7
With Pan American	1,934	2,496		
With other airlines	86	70		
Other U.S. flag carriers	235	379	307	11.2
Between Eastern U.S. 2/ and Western South America 3/				
Total U.S. flag	1,753	2,191	1,972	100.0
Pan American and Panagra	1,623	2,015	1,819	92.2
Pan American 1/	107	67	87	4.4
Panagra participation	1,516	1,948	1,732	87.8
With Pan American	1,459	1,907		
With other airlines	57	41		
Other U.S. flag carriers	130	176	153	7.8

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Western Colombia, Ecuador, Peru, Bolivia, Chile and Argentina, except Buenos Aires.

SOURCE: O-D Survey of CAB.

[fol. 1299]

Government's Statistical Exhibit 12

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1955

Areas	Number of passengers: March	Number of passengers: September	Average per month: Number	Average per month: % of total
Between U.S. and Western South America 3/				
Total U.S. flag	2,415	2,776	2,596	100.0
Pan American and Panagra	2,116	2,379	2,248	86.6
Pan American 1/	129	163	146	5.6
Panagra participation	1,987	2,216	2,102	81.0
With Pan American	1,858	2,158		
With other airlines	129	58		
Other U.S. flag carriers	299	397	348	13.4
Between Eastern U.S. 2/ and Western South America 3/				
Total U.S. flag	1,698	2,061	1,880	100.0
Pan American and Panagra	1,521	1,840	1,681	89.4
Pan American 1/	72	132	102	5.4
Panagra participation	1,449	1,708	1,579	84.0
With Pan American	1,387	1,660		
With other airlines	62	48		
Other U.S. flag carriers	177	221	199	10.6

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Western Colombia, Ecuador, Peru, Bolivia, Chile and Argentina, except Buenos Aires.

SOURCE: O-D Survey of CAB.

[fol. 1300]

Government's Statistical Exhibit 13

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1954

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and Western South America 3/				
Total U.S. flag	1,585	2,456	2,021	100.0
Pan American and Panagra	1,335	2,217	1,776	87.9
Pan American 1/	62	67	64	3.2
Panagra participation	1,273	2,150	1,712	84.7
With Pan American	1,235	2,100		
With other airlines	38	50		
Other U.S. flag carriers	250	239	245	12.1
Between Eastern U.S. 2/ and Western South America 3/				
Total U.S. flag	1,067	1,819	1,443	100.0
Pan American and Panagra	949	1,708	1,329	92.1
Pan American 1/	38	42	40	2.8
Panagra participation	911	1,666	1,289	89.3
With Pan American	893	1,637		
With other airlines	18	29		
Other U.S. flag carriers	118	111	114	7.9

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Western Colombia, Ecuador, Peru, Bolivia, Chile and Argentina, except Buenos Aires.

SOURCE: O-D Survey of CAB.

[fol. 1301]

GOVERNMENT'S STATISTICAL EXHIBIT 14

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1953

Areas	Number of Passengers		Average per month	
	March	September	Number	% of total
Between U.S. and Western South America 3/				
Total U.S. flag	1,879	2,279	2,079	100.0
Pan American and Panagra	1,498	2,001	1,749	84.1
Pan American 1/	81	52	66	3.2
Panagra participation	1,417	1,949	1,683	80.9
With Pan American	1,371	1,905		
With other airlines	46	44		
Other U.S. flag carriers	381	278	330	15.9
Between Eastern U.S. 2/ and Western South America 3/				
Total U.S. flag	1,311	1,759	1,535	100.0
Pan American and Panagra	1,129	1,612	1,371	89.3
Pan American 1/	60	50	55	3.6
Panagra participation	1,069	1,562	1,316	85.7
With Pan American	1,039	1,530		
With other airlines	30	32		
Other U.S. flag carriers	182	147	164	10.7

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Western Colombia, Ecuador, Peru, Bolivia, Chile and Argentina, except Buenos Aires.

SOURCE: O-D Survey of CAB.

[fol. 1302]

Government's Statistical Exhibit 15

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1952

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and Western South America 3/				
Total U.S. flag	1,588	2,001	1,794	100.0
Pan American and Panagra	1,344	1,656	1,500	83.6
Pan American 1/	44	44	44	2.4
Panagra participation	1,300	1,612	1,456	81.2
With Pan American	1,276	1,570		
With other airlines	24	42		
Other U.S. flag carriers	244	345	294	16.4
Between Eastern U.S. 2/ and Western South America 3/				
Total U.S. flag	1,222	1,503	1,363	100.0
Pan American and Panagra	1,084	1,310	1,197	87.8
Pan American 1/	36	32	34	2.5
Panagra participation	1,048	1,278	1,163	85.3
With Pan American	1,043	1,253		
With other airlines	5	25		
Other U.S. flag carriers	138	193	166	12.2

1/ With no Panagra participation.

2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

3/ Includes Western Colombia, Ecuador, Peru, Bolivia, Chile and Argentina, except Buenos Aires.

SOURCE: O-D Survey of CAB.

[fol. 1303]

Government's Statistical Exhibit 16

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1950

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and Western South America 3/				
Total U.S. flag	1,111	1,793	1,452	100.0
Pan American and Panagra	959	1,600	1,279	88.1
Pan American 1/	21	35	28	1.9
Panagra participation	938	1,565	1,251	86.2
With Pan American	928	1,555		
With other airlines	10	10		
Other U.S. flag carriers	152	193	173	11.9
Between Eastern U.S. 2/ and Western South America 3/				
Total U.S. flag	878	1,498	1,188	100.0
Pan American and Panagra	831	1,423	1,127	94.9
Pan American 1/	18	28	23	2.0
Panagra participation	813	1,395	1,104	92.9
With Pan American	812	1,388		
With other airlines	1	7		
Other U.S. flag carriers	47	75	61	5.1

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Western Colombia, Ecuador, Peru, Bolivia, Chile and Argentina, except Buenos Aires.

SOURCE: OPD Survey of CAB.

[fol. 1304]

Government's Statistical Exhibit 17

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1957

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and Eastern South America 3/				
Total U.S. flag	6,391	9,186	7,788	100.0
Pan American and Panagra	4,485	6,155	5,320	68.3
Pan American 1/	4,321	6,027	5,174	66.4
Panagra participation	164	128	146	1.9
With Pan American	134	114		
With other airlines	30	14		
Other U.S. flag carriers	1,906	3,031	2,468	31.7
Between Eastern U.S. 2/ and Eastern South America 3/				
Total U.S. flag	3,792	5,669	4,730	100.0
Pan American and Panagra	3,393	4,788	4,090	86.5
Pan American 1/	3,294	4,702	3,998	84.5
Panagra participation	99	86	92	2.0
With Pan American	83	75		
With other airlines	16	11		
Other U.S. flag carriers	399	881	640	13.5

1/ With no Panagra participation.

2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

3/ Includes Eastern Colombia, Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: O-D Survey of CAB.

[fol. 1305]

Government's Statistical Exhibit 18

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1958

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and Eastern South America 3/				
Total U.S. flag	5,398	7,418	6,408	100.0
Pan American and Panagra	3,967	5,302	4,634	72.3
Pan American 1/	3,821	5,207	4,514	70.4
Panagra participation	146	95	120	1.9
With Pan American	124	87		
With other airlines	22	8		
Other U.S. flag carriers	1,431	2,116	1,774	27.7
Between Eastern U.S. 2/ and Eastern South America 3/				
Total U.S. flag	3,406	4,550	3,978	100.0
Pan American and Panagra	3,055	4,076	3,565	89.6
Pan American 1/	2,966	4,005	3,485	87.6
Panagra participation	89	71	80	2.0
With Pan American	71	63		
With other airlines	18	8		
Other U.S. flag carriers	351	474	413	10.4

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Eastern Colombia, Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: O-D Survey of CAB.

[fol. 1306]

Government's Statistical Exhibit 19

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1955

Areas	Number of passengers: March	Number of passengers: September	Average per month: Number	Average per month: % of total
Between U.S. and Eastern South America 3/				
Total U.S. flag	5,248	6,327	5,787	100.0
Pan American and Panagra	3,911	4,536	4,223	73.0
Pan American 1/	3,800	4,437	4,118	71.2
Panagra participation	111	99	105	1.8
With Pan American	102	93		
With other airlines	9	6		
Other U.S. flag carriers	1,337	1,791	1,564	27.0
Between Eastern U.S. 2/ and Eastern South America 3/				
Total U.S. flag	3,218	4,024	3,621	100.0
Pan American and Panagra	2,887	3,560	3,223	89.0
Pan American 1/	2,819	3,483	3,151	87.0
Panagra participation	68	77	72	2.0
With Pan American	63	71		
With other airlines	5	6		
Other U.S. flag carriers	331	464	398	11.0

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Eastern Colombia, Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: O-D Survey of CAB.

[fol. 1307]

Government's Statistical Exhibit 20

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1954

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and Eastern South America 3/				
Total U.S. flag	4,723	6,670	5,696	100.0
Pan American and Panagra	3,396	4,928	4,162	73.1
Pan American 1/	3,345	4,817	4,081	71.7
Panagra participation	51	111	81	1.4
With Pan American	49	109		
With other airlines	2	2		
Other U.S. flag carriers	1,327	1,742	1,534	26.9
Between Eastern U.S. 2/ and Eastern South America 3/				
Total U.S. flag	3,133	4,407	3,770	100.0
Pan American and Panagra	2,696	3,951	3,323	88.1
Pan American 1/	2,670	3,872	3,271	86.7
Panagra participation	26	79	52	1.4
With Pan American	24	77		
With other airlines	2	2		
Other U.S. flag carriers	437	456	447	11.9

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Eastern Colombia, Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: O-D Survey of CAB.

[fol. 1308]

GOVERNMENT'S STATISTICAL EXHIBIT 21

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING
U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1953

Areas	Number of Passengers		Average per month	
	March	September	Number	% of total
Between U.S. and Eastern South America 3/				
Total U.S. flag	3,994	5,318	4,656	100.0
Pan American and Panagra	2,778	3,744	3,261	70.0
Pan American 1/	2,722	3,701	3,211	68.9
Panagra participation	56	43	50	1.1
With Pan American	54	41		
With other airlines	2	2		
Other U.S. flag carriers	1,216	1,574	1,395	30.0
Between Eastern U.S. 2/ and Eastern South America 3/				
Total U.S. flag	2,603	3,461	3,032	100.0
Pan American and Panagra	2,207	3,086	2,646	87.3
Pan American 1/	2,166	3,050	2,608	86.0
Panagra participation	41	36	38	1.3
With Pan American	39	35		
With other airlines	2	1		
Other U.S. flag carriers	396	375	386	12.7

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Eastern Colombia, Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: O-D Survey of CAB.

[fol. 1309]

Government's Statistical Exhibit 22

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1952

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and Eastern South America 3/				
Total U.S. flag	3,995	5,527	4,761	100.0
Pan American and Panagra	3,066	3,948	3,507	73.7
Pan American 1/	3,019	3,891	3,455	72.[illegible]
Panagra participation	47	57	52	1.1
With Pan American	47	56		
With other airlines	-	1		
Other U.S. flag carriers	929	1,579	1,254	26.3
Between Eastern U.S. 2/ and Eastern South America 3/				
Total U.S. flag	2,703	3,664	[illegible]	[illegible]
Pan American and Panagra	2,467	3,213	2,840	[illegible]
Pan American 1/	2,437	3,177	2,807	[illegible]
Panagra participation	30	36	33	1.0
With Pan American	30	35		
With other airlines	-	1		
Other U.S. flag carriers	236	451	343	10.8

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Eastern Colombia, Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: O-D Survey of CAB.

[fol. 1310]

Government's Statistical Exhibit 23

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1950

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and Eastern South America 3/				
Total U.S. flag	2,937	6,370	4,653	100.0
Pan American and Panagra	2,364	5,631	3,997	85.9
Pan American 1/	2,335	5,556	3,945	84.8
Panagra participation	29	75	52	1.1
With Pan American	29	71		
With other airlines	-	4		
Other U.S. flag carriers	573	739	656	14.1
Between Eastern U.S. 2/ and Eastern South America 3/				
Total U.S. flag	2,141	5,411	3,776	100.0
Pan American and Panagra	2,062	5,184	3,623	95.9
Pan American 1/	2,047	5,125	3,586	94.9
Panagra participation	15	59	37	1.0
With Pan American	15	57		
With other airlines	-	2		
Other U.S. flag carriers	79	227	153	4.1

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.
3/ Includes Eastern Colombia, Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: O-D Survey of CAB.

[fol. 1311]

Government's Statistical Exhibit 24

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1957

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and Buenos Aires				
Total U.S. flag	1,795	1,366	1,581	100.0
Pan American and Panagra	1,725	1,234	1,480	93.6
Pan American 1/	816	510	663	41.9
Panagra participation	909	724	817	51.7
With Pan American	829	646		
With other airlines	80	78		
Other U.S. flag carriers	70	132	101	6.4
Between Eastern U.S. 2/ and Buenos Aires				
Total U.S. flag	1,109	965	1,037	100.0
Pan American and Panagra	1,074	881	977	94.2
Pan American 1/	490	371	430	41.5
Panagra participation	584	510	547	52.7
With Pan American	539	469		
With other airlines	45	41		
Other U.S. flag carriers	35	84	60	5.8

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1312]

GOVERNMENT'S STATISTICAL EXHIBIT 25

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1956

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and Buenos Aires				
Total U.S. flag	1,206	1,182	1,194	100.0
Pan American and Panagra	1,110	1,087	1,099	92.0
Pan American 1/	476	371	424	35.5
Panagra participation	634	716	675	56.5
With Pan American	614	710		
With other airlines	20	6		
Other U.S. flag carriers	96	95	95	8.0
Between Eastern U.S. 2/ and Buenos Aires				
Total U.S. flag	797	810	804	100.0
Pan American and Panagra	755	768	762	94.8
Pan American 1/	296	232	264	32.8
Panagra participation	459	536	498	62.0
With Pan American	447	534		
With other airlines	12	2		
Other U.S. flag carriers	42	42	42	5.2

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1313]

Government's Statistical Exhibit 26

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1955

Areas	Number of passengers March	Number of passengers September	Average per month Number	Average per month % of total
Between U.S. and Buenos Aires				
Total U.S. flag	1,664	1,252	1,458	100.0
Pan American and Panagra	1,581	1,124	1,353	92.8
Pan American 1/	668	387	528	36.2
Panagra participation	913	737	825	56.6
With Pan American	373	709		
With other airlines	40	28		
Other U.S. flag carriers	83	128	105	7.2
Between Eastern U.S. 2/ and Buenos Aires				
Total U.S. flag	993	774	883	100.0
Pan American and Panagra	947	719	833	94.3
Pan American 1/	426	238	332	37.6
Panagra participation	521	481	501	56.7
With Pan American	495	468		
With other airlines	26	13		
Other U.S. flag carriers	46	55	50	5.7

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1314]

Government's Statistical Exhibit 27

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1954

Areas	Number of passengers: March	Number of passengers: September	Average per month: Number	Average per month: % of total
Between U.S. and Buenos Aires				
Total U.S. flag	1,348	1,196	1,272	100.0
Pan American and Panagra	1,245	1,115	1,180	92.8
Pan American 1/	516	374	445	35.0
Panagra participation	729	741	735	57.8
With Pan American	703	723		
With other airlines	26	18		
Other U.S. flag carriers	103	81	92	7.2
Between Eastern U.S. 2/ and Buenos Aires				
Total U.S. flag	871	852	861	100.0
Pan American and Panagra	830	817	823	95.6
Pan American 1/	371	285	328	38.1
Panagra participation	459	532	495	57.5
With Pan American	441	526		
With other airlines	18	6		
Other U.S. flag carriers	41	35	38	4.4

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1315]

Government's Statistical Exhibit 28

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1953

Areas	Number of Passengers		Average per month	
	March	September	Number	% of total
Between U.S. and Buenos Aires				
Total U.S. flag	930	854	892	100.0
Pan American and Panagra	886	810	848	95.1
Pan American 1/	429	310	370	41.5
Panagra participation	457	500	478	53.6
With Pan American	455	487		
With other airlines	2	13		
Other U.S. flag carriers	44	44	44	4.9
Between Eastern U.S. 2/ and Buenos Aires				
Total U.S. flag	651	635	643	100.0
Pan American and Panagra	630	613	622	96.7
Pan American 1/	297	254	276	42.9
Panagra participation	333	359	346	53.8
With Pan American	333	348		
With other airlines	-	11		
Other U.S. flag carriers	21	22	21	3.3

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1316]

Government's Statistical Exhibit 29

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1952

Areas	Number of Passengers March	Number of Passengers September	Average per month Number	Average per month % of total
Between U.S. and Buenos Aires				
Total U.S. flag	2,210	810	1,510	100.0
Pan American and Panagra	2,152	757	1,454	96.3
Pan American 1/	1,717	244	980	64.9
Panagra participation	435	513	474	31.4
With Pan American	427	507		
With other airlines	8	6		
Other U.S. flag carriers	58	53	56	3.7
Between Eastern U.S. 2/ and Buenos Aires				
Total U.S. flag	1,910	620	1,265	100.0
Pan American and Panagra	1,871	595	1,233	97.5
Pan American 1/	1,575	189	882	69.7
Panagra participation	296	406	351	27.8
With Pan American	290	403		
With other airlines	6	3		
Other U.S. flag carriers	39	25	32	2.5

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1317]

GOVERNMENT'S STATISTICAL EXHIBIT 30

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS USING
U.S. FLAG CARRIERS, MARCH AND SEPTEMBER, 1950

Areas	Number of Passengers		Average per month	
	March	September	Number	% of total
Between U.S. and Buenos Aires				
Total U.S. flag	686	1,532	1,109	100.0
Pan American and Panagra	683	1,472	1,078	97.2
Pan American 1/	296	730	513	46.3
Panagra participation	387	742	565	50.9
With Pan American	379	733		
With other airlines	8	9		
Other U.S. flag carriers	3	60	31	2.8
Between Eastern U.S. 2/ and Buenos Aires				
Total U.S. flag	574	1,266	920	100.0
Pan American and Panagra	574	1,252	913	99.2
Pan American 1/	263	669	466	50.6
Panagra participation	311	583	447	48.6
With Pan American	307	580		
With other airlines	4	3		
Other U.S. flag carriers	-	14	7	0.8

1/ With no Panagra participation.
2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, District of Columbia, Virginia, North Carolina, South Carolina, Georgia, and Florida.

SOURCE: O-D Survey of CAB.

[fol. 1319]

Government's Statistical Exhibit 32

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1957

Areas	Number of passengers March	Number of passengers September	Average[1/] per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and South America					
U.S. & foreign			19,285	100.0%	
U.S. flag carriers	10,819	13,447	12,133	62.9	100.0%
Pan Am & Panagra	8,481	9,770	9,126	47.3	75.2
Pan Am 2/	5,260	6,668	5,964	30.9	49.1
Panagra 3/	3,221	3,102	3,162	16.4	26.1
Other U.S. flag	2,338	3,677	3,007	15.6	24.8
Foreign flag (Total for year: 85,819)			7,152	37.1	
Eastern U.S. and South America					
U.S. & foreign			14,811	100.0%	
U.S. flag carriers	6,658	8,713	7,685	51.9	100.0%
Pan Am & Panagra	6,067	7,493	6,779	45.8	88.2
Pan Am 2/	3,856	5,137	4,496	30.4	58.5
Panagra 3/	2,211	2,356	2,283	15.4	29.7
Other U.S. flag	591	1,220	906	6.1	11.8
Foreign flag (Total for year: 85,518)			7,126	48.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1320]

GOVERNMENT'S STATISTICAL EXHIBIT 33

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1956

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and South America					
U.S. & foreign			16,819	100.0%	
U.S. flag carriers	9,042	11,642	10,342	61.5	100.0%
Pan Am & Panagra	7,280	9,052	8,166	48.6	79.0
Pan Am 2/	4,480	5,675	5,078	30.2	49.1
Panagra 3/	2,800	3,377	3,088	18.4	29.9
Other U.S. flag	1,762	2,590	2,176	12.9	21.0
Foreign flag (Total for year: 77,720)			6,477	38.5	
Eastern U.S. and South America					
U.S. & foreign			13,106	100.0%	
U.S. flag carriers	5,956	7,551	6,754	51.5	100.0%
Pan Am & Panagra	5,433	6,859	6,146	46.9	91.0
Pan Am 2/	3,369	4,304	3,836	29.3	56.8
Panagra 3/	2,064	2,555	2,310	17.6	34.2
Other U.S. flag	523	692	608	4.6	9.0
Foreign flag (Total for year: 76,227)			6,352	48.5	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1321]

GOVERNMENT'S STATISTICAL EXHIBIT 34

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1955

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and South America					
U.S. & foreign			15,132	100.0%	
U.S. flag carriers	9,327	10,355	9,841	65.0	100.0%
Pan Am & Panagra	7,608	8,039	7,824	51.7	79.5
Pan Am 2/	4,597	4,987	4,792	31.7	48.7
Panagra 3/	3,011	3,052	3,032	20.0	30.8
Other U.S. flag	1,719	2,316	2,017	13.3	20.5
Foreign flag (Total for year: 63,491)			5,291	35.0	
Eastern U.S. and South America					
U.S. & foreign			11,662	100.0%	
U.S. flag carriers	5,909	6,859	6,384	54.7	100.0%
Pan Am & Panagra	5,355	6,119	5,737	49.2	89.9
Pan Am 2/	3,317	3,853	3,585	30.7	56.2
Panagra 3/	2,038	2,266	2,152	18.5	33.7
Other U.S. flag	554	740	647	5.5	10.1
Foreign flag (Total for year: 63,337)			5,278	45.3	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1322]

Government's Statistical Exhibit 35

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1954

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and South America					
U.S. & foreign			13,479	100.0%	
U.S. flag carriers	7,656	10,322	8,989	66.7	100.0%
Pan Am & Panagra	5,976	8,260	7,118	52.8	79.2
Pan Am 2/	3,923	5,258	4,590	34.0	51.1
Panagra 3/	2,053	3,002	2,528	18.8	28.1
Other U.S. flag	1,680	2,062	1,871	13.9	20.8
Foreign flag (Total for year: 53,875)			4,490	33.3	
Eastern U.S. and South America					
U.S. & foreign			10,556	100.0%	
U.S. flag carriers	5,071	7,078	6,074	57.5	100.0%
Pan Am & Panagra	4,475	6,476	5,475	51.8	90.1
Pan Am 2/	3,079	4,199	3,639	34.4	59.9
Panagra 3/	1,396	2,277	1,836	17.4	30.2
Other U.S. flag	596	602	599	5.7	9.9
Foreign flag (Total for year: 53,790)			4,482	42.5	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1323]

Government's Statistical Exhibit 36

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1953

Areas	Number of passengers March	Number of passengers September	Average[1/] per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and South America					
U.S. & foreign			12,023	100.0%	
U.S. flag carriers	6,803	8,451	7,627	63.4	100.0%
Pan Am & Panagra	5,162	6,555	5,858	48.7	76.8
Pan Am 2/	3,232	4,063	3,647	30.3	47.8
Panagra 3/	1,930	2,492	2,211	18.4	29.0
Other U.S. flag	1,641	1,896	1,769	14.7	23.2
Foreign flag (Total for year: 52,753			4,396	36.6	
Eastern U.S. and South America					
U.S. & foreign			9,605	100.0%	
U.S. flag carriers	4,565	5,855	5,210	54.2	100.0%
Pan Am & Panagra	3,966	5,311	4,639	48.3	89.0
Pan Am 2/	2,523	3,354	2,939	30.6	56.4
Panagra 3/	1,443	1,957	1,700	17.7	32.6
Other U.S. flag	599	544	571	5.9	11.0
Foreign flag (Total for year: 52,743)			4,395	45.8	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1324]

Government's Statistical Exhibit 37

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1952

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and South America					
U.S. & foreign			11,907	100.0%	
U.S. flag carriers	7,793	8,338	8,065	67.7	100.0%
Pan Am & Panagra	6,562	6,361	6,461	54.2	80.1
Pan Am 2/	4,780	4,179	4,479	37.6	55.5
Panagra 3/	1,782	2,182	1,982	16.6	24.6
Other U.S. flag	1,231	1,977	1,604	13.5	19.9
Foreign flag (Total for year: 46,107)			3,842	32.3	
Eastern U.S. and South America					
U.S. & foreign			9,650	100.0%	
U.S. flag carriers	5,835	5,787	5,811	60.2	100.0%
Pan Am & Panagra	5,422	5,118	5,270	54.6	90.7
Pan Am 2/	4,048	3,398	3,723	38.6	64.1
Panagra 3/	1,374	1,720	1,547	16.0	26.6
Other U.S. flag	413	669	541	5.6	9.3
Foreign flag (Total for year: 46,075)			3,839	39.8	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1325]

Government's Statistical Exhibit 38

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1950

Areas	Number of passengers: March	Number of passengers: September	Average[1] per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and South America					
U.S. & foreign			8,691	100.0%	
U.S. flag carriers	4,734	9,695	7,214	83.0	100.0%
Pan Am & Panagra	4,006	8,703	6,354	73.1	88.1
Pan Am 2/	2,652	6,321	4,486	51.6	62.2
Panagra 3/	1,354	2,382	1,868	21.5	25.9
Other U.S. flag	728	992	860	9.9	11.9
Foreign flag (Total for 6 months: 8,862)[4]			1,477	17.0	
Eastern U.S. and South America					
U.S. & foreign			7,361	100.0%	
U.S. flag carriers	3,593	8,175	5,884	79.9	100.0%
Pan Am & Panagra	3,467	7,859	5,663	76.9	96.2
Pan Am 2/	2,328	5,822	4,075	55.3	69.2
Panagra 3/	1,139	2,037	1,588	21.6	27.0
Other U.S. flag	126	316	221	3.0	3.8
Foreign flag (Total for 6 months: 8,862)[4]			1,477	20.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for 6 months divided by 6.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Last 6 months, July-December. Data not available for first 6 months of 1950.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1326]

GOVERNMENT'S STATISTICAL EXHIBIT 39

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1957

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 4 Western South American Countries 4/					
U.S. & foreign			3,870	100.0%	
U.S. flag carriers	2,436	2,540	2,488	64.3	100.0%
Pan Am & Panagra	2,076	2,045	2,060	53.2	82.8
Pan Am 2/	71	78	74	1.9	3.0
Panagra 3/	2,005	1,967	1,986	51.3	79.8
Other U.S. flag	360	495	428	11.1	17.2
Foreign flag (Total for year: 16,580)			1,382	35.7	
Eastern U.S. and 4 Western South American Countries 4/					
U.S. & foreign			3,103	100.0%	
U.S. flag carriers	1,630	1,815	1,722	55.5	100.0%
Pan Am & Panagra	1,474	1,573	1,523	49.1	88.4
Pan Am 2/	48	42	45	1.5	2.6
Panagra 3/	1,426	1,531	1,478	47.6	85.8
Other U.S. flag	156	242	199	6.4	11.6
Foreign flag (Total for year: 16,574)			1,381	44.5	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Ecuador, Peru, Bolivia, and Chile.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1327]

Government's Statistical Exhibit 40

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1956

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 4 Western South American Countries 4/					
U.S. & foreign			2,964	100.0%	
U.S. flag carriers	2,142	2,669	2,406	81.2	100.0%
Pan Am & Panagra	1,910	2,290	2,100	70.9	87.3
Pan Am 2/	101	58	80	2.7	3.3
Panagra 3/	1,809	2,232	2,020	68.2	84.0
Other U.S. flag	232	379	306	10.3	12.7
Foreign flag (Total for year: 6,690)			558	18.8	
Eastern U.S. and 4 Western South American Countries 4/					
U.S. & foreign			2,279	100.0%	
U.S. flag carriers	1,545	1,897	1,721	75.5	100.0%
Pan Am & Panagra	1,418	1,721	1,569	68.8	91.2
Pan Am 2/	62	43	52	2.3	3.0
Panagra 3/	1,356	1,678	1,517	66.5	88.2
Other U.S. flag	127	176	152	6.7	8.8
Foreign flag (Total for year: 6,690)			558	24.5	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Ecuador, Peru, Bolivia, and Chile.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1328]

Government's Statistical Exhibit 41

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1955

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 4 Western South American Countries 4/					
U.S. & foreign			2,495	100.0%	
U.S. flag carriers	2,141	2,350	2,246	90.0	100.0%
Pan Am & Panagra	1,849	1,959	1,904	76.3	84.8
Pan Am 2/	69	52	60	2.4	2.7
Panagra 3/	1,780	1,907	1,844	73.9	82.1
Other U.S. flag	292	391	342	13.7	15.2
Foreign flag (Total for year: 2,986)			249	10.0	
Eastern U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,871	100.0%	
U.S. flag carriers	1,508	1,747	1,628	87.0	100.0%
Pan Am & Panagra	1,333	1,526	1,430	76.4	87.8
Pan Am 2/	34	40	37	2.0	2.3
Panagra 3/	1,299	1,486	1,393	74.4	85.5
Other U.S. flag	175	221	198	10.6	12.2
Foreign flag (Total for year: 2,917)			243	13.0	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Ecuador, Peru, Bolivia, and Chile.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1329]

Government's Statistical Exhibit 42

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1954

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,804	100.0%	
U.S. flag carriers	1,387	2,046	1,716	95.1	100.0%
Pan Am & Panagra	1,141	1,813	1,477	81.9	86.1
Pan Am 2/	24	28	26	1.5	1.5
Panagra 3/	1,117	1,785	1,451	80.4	84.6
Other U.S. flag	246	233	239	13.2	13.9
Foreign flag (Total for year: 1,053)			88	4.9	
Eastern U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,292	100.0%	
U.S. flag carriers	919	1,492	1,205	93.3	100.0%
Pan Am & Panagra	803	1,385	1,094	84.7	90.8
Pan Am 2/	15	15	15	1.2	1.3
Panagra 3/	788	1,370	1,079	83.5	89.5
Other U.S. flag	116	107	111	8.6	9.2
Foreign flag (Total for year: 1,046)			87	6.7	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Ecuador, Peru, Bolivia, and Chile.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1330]

Government's Statistical Exhibit 43

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1953

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,973	100.0%	
U.S. flag carriers	1,687	1,998	1,843	93.4	100.0%
Pan Am & Panagra	1,306	1,724	1,515	76.8	82.2
Pan Am 2/	20	21	20	1.0	1.1
Panagra 3/	1,286	1,703	1,495	75.8	81.1
Other U.S. flag	381	274	328	16.6	17.8
Foreign flag (Total for year: 1,553)			130	6.6	
Eastern U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,486	100.0%	
U.S. flag carriers	1,168	1,544	1,356	91.3	100.0%
Pan Am & Panagra	986	1,400	1,193	80.3	88.0
Pan Am 2/	11	19	15	1.0	1.1
Panagra 3/	975	1,381	1,178	79.3	86.9
Other U.S. flag	182	144	163	11.0	12.0
Foreign flag (Total for year: 1,553)			130	8.7	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Ecuador, Peru, Bolivia, and Chile.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1331]

Government's Statistical Exhibit 44

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1952

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,732	100.0%	
U.S. flag carriers	1,442	1,807	1,624	93.8	100.0%
Pan Am & Panagra	1,198	1,462	1,330	76.8	81.9
Pan Am 2/	18	19	18	1.0	1.1
Panagra 3/	1,180	1,443	1,312	75.8	80.8
Other U.S. flag	244	345	294	17.0	18.1
Foreign flag (Total for year: 1,295)			108	6.2	
Eastern U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,339	100.0%	
U.S. flag carriers	1,109	1,354	1,232	92.0	100.0%
Pan Am & Panagra	971	1,161	1,066	79.6	86.5
Pan Am 2/	14	14	14	1.0	1.1
Panagra 3/	957	1,147	1,052	78.6	85.4
Other U.S. flag	138	193	166	12.4	13.5
Foreign flag (Total for year: 1,286)			107	8.0	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Ecuador, Peru, Bolivia, and Chile.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1332]

Government's Statistical Exhibit 45

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1950

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,417	100.0%	
U.S. flag carriers	1,072	1,666	1,369	96.6	100.0%
Pan Am & Panagra	920	1,473	1,197	84.5	87.4
Pan Am 2/	6	24	15	1.1	1.1
Panagra 3/	914	1,449	1,182	83.4	86.3
Other U.S. flag	152	193	172	12.1	12.6
Foreign flag (Total for 6 months: 287) 5/			48	3.4	
Eastern U.S. and 4 Western South American Countries 4/					
U.S. & foreign			1,172	100.0%	
U.S. flag carriers	849	1,399	1,124	95.9	100.0%
Pan Am & Panagra	802	1,324	1,063	90.7	94.6
Pan Am 2/	6	19	12	1.0	1.1
Panagra 3/	796	1,305	1,051	89.7	93.5
Other U.S. flag	47	75	61	5.2	5.4
Foreign flag (Total for 6 months: 287) 5/			48	4.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for 6 months divided by 6.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Ecuador, Peru, Bolivia, and Chile.
5/ Last 6 months, July-December. Data not available for first 6 months of 1950.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1333]

GOVERNMENT'S STATISTICAL EXHIBIT 46

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1957

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			10,562	100.0%	
U.S. flag carriers	5,820	8,068	6,944	65.7	100.0%
Pan Am & Panagra	3,943	5,556	4,750	45.0	68.4
Pan Am 2/	3,781	5,432	4,607	43.6	66.3
Panagra 3/	162	124	143	1.4	2.1
Other U.S. flag	1,877	2,512	2,194	20.7	31.6
Foreign flag (Total for year: 43,415)			3,618	34.3	
Eastern U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			7,826	100.0%	
U.S. flag carriers	3,468	4,991	4,229	54.0	100.0%
Pan Am & Panagra	3,084	4,521	3,802	48.6	89.9
Pan Am 2/	2,985	4,436	3,710	47.4	87.7
Panagra 3/	99	85	92	1.2	2.2
Other U.S. flag	384	470	427	5.4	10.1
Foreign flag (Total for year: 43,167)			3,597	46.0	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1334]

Government's Statistical Exhibit 47

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1956

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			9,396	100.0%	
U.S. flag carriers	4,497	6,701	5,599	59.6	100.0%
Pan Am & Panagra	3,100	4,608	3,854	41.0	68.8
Pan Am 2/	2,972	4,514	3,743	39.8	66.8
Panagra 3/	128	94	111	1.2	2.0
Other U.S. flag	1,397	2,093	1,745	18.6	31.2
Foreign flag (Total for year: 45,563)			3,797	40.4	
Eastern U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			7,196	100.0%	
U.S. flag carriers	2,875	4,158	3,516	48.9	100.0%
Pan Am & Panagra	2,535	3,695	3,114	43.3	88.6
Pan Am 2/	2,450	3,625	3,037	42.2	86.4
Panagra 3/	85	70	77	1.1	2.2
Other U.S. flag	340	463	402	5.6	11.4
Foreign flag (Total for year: 44,166)			3,680	51.1	

1/ For U.S. flag, average of March and September; for foreign flag total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1335]

GOVERNMENT'S STATISTICAL EXHIBIT 48

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1955

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			7,809	100.0%	
U.S. flag carriers	4,300	5,438	4,869	62.4	100.0%
Pan Am & Panagra	2,995	3,671	3,333	42.7	68.5
Pan Am 2/	2,890	3,578	3,234	41.4	66.4
Panagra 3/	105	93	99	1.3	2.1
Other U.S. flag	1,305	1,767	1,536	19.7	31.5
Foreign flag (Total for year: 35,283)			2,940	37.6	
Eastern U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			5,976	100.0%	
U.S. flag carriers	2,619	3,466	3,042	50.9	100.0%
Pan Am & Panagra	2,300	3,010	2,654	44.4	87.2
Pan Am 2/	2,234	2,939	2,586	43.3	85.0
Panagra 3/	66	71	68	1.1	2.2
Other U.S. flag	319	456	388	6.5	12.8
Foreign flag (Total for year: 35,209)			2,934	49.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1336]

Government's Statistical Exhibit 49

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1954

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			6,942	100.0%	
U.S. flag carriers	3,950	5,341	4,645	66.9	100.0%
Pan Am & Panagra	2,655	3,664	3,159	45.5	68.0
Pan Am 2/	2,605	3,563	3,084	44.4	66.4
Panagra 3/	50	101	75	1.1	1.6
Other U.S. flag	1,295	1,677	1,486	21.4	32.0
Foreign flag (Total for year: 27,561)			2,297	33.1	
Eastern U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			5,329	100.0%	
U.S. flag carriers	2,611	3,467	3,039	57.0	100.0%
Pan Am & Panagra	2,195	3,040	2,617	49.1	86.1
Pan Am 2/	2,169	2,970	2,569	48.2	84.5
Panagra 3/	26	70	48	.9	1.6
Other U.S. flag	416	427	422	7.9	13.9
Foreign flag (Total for year: 27,483)			2,290	43.0	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

Government's Statistical Exhibit 50

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1953

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			6,002	100.0%	
U.S. flag carriers	3,260	4,319	3,789	63.1	100.0%
Pan Am & Panagra	2,055	2,786	2,420	40.3	63.9
Pan Am 2/	1,999	2,744	2,371	39.5	62.6
Panagra 3/	56	42	49	.8	1.3
Other U.S. flag	1,205	1,533	1,369	22.8	36.1
Foreign flag (Total for year: 26,555)			2,213	36.9	
Eastern U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			4,615	100.0%	
U.S. flag carriers	2,060	2,745	2,402	52.0	100.0%
Pan Am & Panagra	1,666	2,379	2,022	43.8	84.2
Pan Am 2/	1,625	2,344	1,984	43.0	82.6
Panagra 3/	41	35	38	.8	1.6
Other U.S. flag	394	366	380	8.2	15.8
Foreign flag (Total for year: 26,555)			2,213	48.0	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1338]

Government's Statistical Exhibit 51

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1952

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			5,770	100.0%	
U.S. flag carriers	3,311	4,367	3,839	66.5	100.0%
Pan Am & Panagra	2,389	2,788	2,588	44.8	67.4
Pan Am 2/	2,342	2,733	2,537	43.9	66.1
Panagra 3/	47	55	51	.9	1.3
Other U.S. flag	922	1,579	1,251	21.7	32.6
Foreign flag (Total for year: 23,172)			1,931	33.5	
Eastern U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			4,387	100.0%	
U.S. flag carriers	2,159	2,753	2,456	56.0	100.0%
Pan Am & Panagra	1,923	2,302	2,113	48.2	86.0
Pan Am 2/	1,893	2,267	2,080	47.4	84.7
Panagra 3/	30	35	33	.8	1.3
Other U.S. flag	236	451	343	7.3	14.0
Foreign flag (Total for year: 23,172)			1,931	44.0	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1339]

GOVERNMENT'S STATISTICAL EXHIBIT 52

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1950

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			4,285	100.0%	
U.S. flag carriers	2,471	5,035	3,753	87.6	100.0%
Pan Am & Panagra	1,899	4,305	3,102	72.4	82.7
Pan Am 2/	1,871	4,230	3,050	71.2	81.3
Panagra 3/	28	75	52	1.2	1.4
Other U.S. flag	572	730	651	15.2	17.3
Foreign flag (Total for 6 months: 3,195) 5/			532	12.4	
Eastern U.S. and 7 Eastern South American Countries 4/					
U.S. & foreign			3,530	100.0%	
U.S. flag carriers	1,753	4,243	2,998	84.9	100.0%
Pan Am & Panagra	1,674	4,016	2,845	80.6	94.9
Pan Am 2/	1,660	3,957	2,809	79.6	93.7
Panagra 3/	14	59	36	1.0	1.2
Other U.S. flag	79	227	153	4.3	5.1
Foreign flag (Total for 6 months: 3,195) 5/			532	15.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for 6 months divided by 6.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Includes Venezuela, Brazil, Paraguay, Uruguay, British Guiana, French Guiana, and Surinam.
5/ Last 6 months, July-December. Data not available for first 6 months of 1950.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1340]

Government's Statistical Exhibit 53

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1957

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Argentina					
U.S. & foreign			1,936	100.0%	
U.S. flag carriers	1,813	1,368	1,591	82.2	100.0%
Pan Am & Panagra	1,742	1,236	1,490	77.0	93.7
Pan Am 2/	830	511	671	34.7	42.2
Panagra 3/	912	725	819	42.3	51.5
Other U.S. flag	71	132	101	5.2	6.3
Foreign flag (Total for year: 4,138)			345	17.8	
Eastern U.S. and Argentina					
U.S. & foreign			1,380	100.0%	
U.S. flag carriers	1,109	966	1,038	75.2	100.0%
Pan Am & Panagra	1,074	882	978	70.9	94.2
Pan Am 2/	490	372	431	31.2	41.5
Panagra 3/	584	510	547	39.7	52.7
Other U.S. flag	35	84	60	4.3	5.8
Foreign flag (Total for year: 4,099)			342	24.8	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1341]

Government's Statistical Exhibit 54

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1956

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Argentina					
U.S. & foreign			1,441	100.0%	
U.S. flag carriers	1,214	1,182	1,198	83.1	100.0%
Pan Am & Panagra	1,118	1,087	1,103	76.5	92.1
Pan Am 2/	484	371	428	29.7	35.7
Panagra 3/	634	716	675	46.8	56.4
Other U.S. flag	96	95	95	6.6	7.9
Foreign flag (Total for year: 2,921)			243	16.9	
Eastern U.S. and Argentina					
U.S. & foreign			1,045	100.0%	
U.S. flag carriers	802	810	806	77.1	100.0%
Pan Am & Panagra	760	768	764	73.1	94.8
Pan Am 2/	301	232	266	25.4	33.0
Panagra 3/	459	536	498	47.7	61.8
Other U.S. flag	42	42	42	4.0	5.2
Foreign flag (Total for year: 2,864)			239	22.9	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1342]

Government's Statistical Exhibit 55

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1955

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Argentina					
U.S. & foreign			1,699	100.0%	
U.S. flag carriers	1,674	1,252	1,463	86.1	100.0%
Pan Am & Panagra	1,587	1,124	1,356	79.8	92.7
Pan Am 2/	672	387	530	31.2	36.2
Panagra 3/	915	737	826	48.6	56.5
Other U.S. flag	87	128	107	6.3	7.3
Foreign flag (Total for year: 2,828)			236	13.9	
Eastern U.S. and Argentina					
U.S. & foreign			1,119	100.0%	
U.S. flag carriers	993	774	883	78.9	100.0%
Pan Am & Panagra	947	719	833	74.4	94.3
Pan Am 2/	426	238	332	29.6	37.6
Panagra 3/	521	481	501	44.8	56.7
Other U.S. flag	46	55	50	4.5	5.7
Foreign flag (Total for year: 2,828)			236	21.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1343]

Government's Statistical Exhibit 56

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1954

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Argentina					
U.S. & foreign			1,500	100.0%	
U.S. flag carriers	1,350	1,201	1,276	85.1	100.0%
Pan Am & Panagra	1,247	1,119	1,183	78.9	92.7
Pan Am 2/	518	374	446	29.7	34.9
Panagra 3/	729	745	737	49.2	57.8
Other U.S. flag	103	82	93	6.2	7.3
Foreign flag (Total for year: 2,687)			224	14.9	
Eastern U.S. and Argentina					
U.S. & foreign			1,088	100.0%	
U.S. flag carriers	872	856	864	79.4	100.0%
Pan Am & Panagra	831	820	826	75.9	95.6
Pan Am 2/	372	285	329	30.2	38.1
Panagra 3/	459	535	497	45.7	57.5
Other U.S. flag	41	36	38	3.5	4.4
Foreign flag (Total for year: 2,687)			224	20.6	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1344]

GOVERNMENT'S STATISTICAL EXHIBIT 57

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1953

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Argentina					
U.S. & foreign			1,046	100.0%	
U.S. flag carriers	930	855	893	85.4	100.0%
Pan Am & Panagra	886	811	849	81.2	95.1
Pan Am 2/	429	310	370	35.4	41.4
Panagra 3/	457	501	479	45.8	53.7
Other U.S. flag	44	44	44	4.2	4.9
Foreign flag (Total for year: 1,841)			153	14.6	
Eastern U.S. and Argentina					
U.S. & foreign			796	100.0%	
U.S. flag carriers	651	635	643	80.8	100.0%
Pan Am & Panagra	630	613	622	78.2	96.7
Pan Am 2/	297	254	276	34.7	42.9
Panagra 3/	333	359	346	43.5	53.8
Other U.S. flag	21	22	21	2.6	3.3
Foreign flag (Total for year: 1,839)			153	19.2	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1345]

Government's Statistical Exhibit 58

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1952

Areas	Number of passengers March	Number of passengers September	Average[1] per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Argentina					
U.S. & foreign			1,644	100.0%	
U.S. flag carriers	2,210	814	1,512	92.0	100.0%
Pan Am & Panagra	2,152	761	1,456	88.6	96.3
Pan Am 2/	1,717	247	982	59.8	64.9
Panagra 3/	435	514	474	28.8	31.4
Other U.S. flag	58	53	56	3.4	3.7
Foreign flag (Total for year: 1,588)			132	8.0	
Eastern U.S. and Argentina					
U.S. & foreign			1,398	100.0%	
U.S. flag carriers	1,910	623	1,266	90.6	100.0%
Pan Am & Panagra	1,871	598	1,234	88.3	97.5
Pan Am 2/	1,575	192	883	63.2	69.8
Panagra 3/	296	406	351	25.1	27.7
Other U.S. flag	39	25	32	2.3	2.5
Foreign flag (Total for year: 1,588)			132	9.4	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1346]

Government's Statistical Exhibit 59

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1950

Areas	Number of passengers March	September	Average[1/] per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Argentina					
U.S. & foreign			1,268	100.0%	
U.S. flag carriers	686	1,532	1,109	87.5	100.0%
Pan Am & Panagra	683	1,472	1,077	85.0	97.1
Pan Am 2/	296	730	513	40.5	46.3
Panagra 3/	387	742	564	44.5	50.8
Other U.S. flag	3	60	32	2.5	2.9
Foreign flag (Total for 6 months: 954)[4/]			159	12.5	
Eastern U.S. and Argentina					
U.S. & foreign			1,079	100.0%	
U.S. flag carriers	574	1,266	920	85.3	100.0%
Pan Am & Panagra	574	1,252	913	84.6	99.2
Pan Am 2/	263	669	466	43.2	50.6
Panagra 3/	311	583	447	41.4	48.6
Other U.S. flag	-	14	7	.7	.8
Foreign flag (Total for 6 months: 954)[4/]			159	14.7	

1/ For U.S. flag, average of March and September; for foreign flag, total for 6 months divided by 6.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Last 6 months, July-December. Data not available for first 6 months of 1950.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1347]

Government's Statistical Exhibit 60

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1957

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Colombia					
U.S. & foreign			2,917	100.0%	
U.S. flag carriers	750	1,471	1,110	38.1	100.0%
Pan Am & Panagra	720	933	826	28.3	74.4
Pan Am 2/	578	647	612	21.0	55.1
Panagra 3/	142	286	214	7.3	19.3
Other U.S. flag	30	538	284	9.8	25.6
Foreign flag (Total for year: 21,686)			1,807	61.9	
Eastern U.S. and Colombia					
U.S. & foreign			2,502	100.0%	
U.S. flag carriers	451	941	696	27.8	100.0%
Pan Am & Panagra	435	517	476	19.0	68.4
Pan Am 2/	333	287	310	12.4	44.5
Panagra 3/	102	230	166	6.6	23.9
Other U.S. flag	16	424	220	8.8	31.6
Foreign flag (Total for year: 21,678)			1,806	72.2	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1348]

Government's Statistical Exhibit 61

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1956

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Colombia					
U.S. & foreign			3,019	100.0%	
U.S. flag carriers	1,189	1,090	1,140	37.8	100.0%
Pan Am & Panagra	1,152	1,067	1,110	36.8	97.4
Pan Am 2/	923	732	828	27.4	72.6
Panagra 3/	229	335	282	9.4	24.8
Other U.S. flag	37	23	30	1.0	2.6
Foreign flag (Total for year: 22,546)			1,879	62.2	
Eastern U.S. and Colombia					
U.S. & foreign			2,585	100.0%	
U.S. flag carriers	734	686	710	27.5	100.0%
Pan Am & Panagra	720	675	698	27.0	98.3
Pan Am 2/	556	404	480	18.6	67.6
Panagra 3/	164	271	218	8.4	30.7
Other U.S. flag	14	11	12	.5	1.7
Foreign flag (Total for year: 22,507)			1,875	72.5	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1349]

GOVERNMENT'S STATISTICAL EXHIBIT 62

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1955

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Colombia					
U.S. & foreign			3,129	100.0%	
U.S. flag carriers	1,212	1,315	1,263	40.4	100.0%
Pan Am & Panagra	1,177	1,285	1,231	39.4	97.5
Pan Am 2/	966	970	968	31.0	76.7
Panagra 3/	211	315	263	8.4	20.8
Other U.S. flag	35	30	32	1.0	2.5
Foreign flag (Total for year: 22,394)			1,866	59.6	
Eastern U.S. and Colombia					
U.S. & foreign			2,695	100.0%	
U.S. flag carriers	789	872	830	30.8	100.0%
Pan Am & Panagra	775	864	819	30.4	98.7
Pan Am 2/	623	636	629	23.3	75.8
Panagra 3/	152	228	190	7.1	22.9
Other U.S. flag	14	8	11	.4	1.3
Foreign flag (Total for year: 22,383)			1,865	69.2	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1350]

Government's Statistical Exhibit 63

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1954

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Colombia					
U.S. & foreign			3,232	100.0%	
U.S. flag carriers	969	1,734	1,351	41.8	100.0%
Pan Am & Panagra	933	1,664	1,298	40.2	96.1
Pan Am 2/	776	1,293	1,034	32.0	76.5
Panagra 3/	157	371	264	8.2	19.6
Other U.S. flag	36	70	53	1.6	3.9
Foreign flag (Total for year: 22,574)			1,881	58.2	
Eastern U.S. and Colombia					
U.S. & foreign			2,847	100.0%	
U.S. flag carriers	669	1,263	966	33.9	100.0%
Pan Am & Panagra	646	1,231	938	32.9	97.1
Pan Am 2/	523	929	726	25.5	75.2
Panagra 3/	123	302	212	7.4	21.9
Other U.S. flag	[illegible]	32	28	1.0	2.9
Foreign flag (Total for year: 22,574)			1,881	66.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1351]

Government's Statistical Exhibit 64

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1953

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Colombia					
U.S. & foreign			3,002	100.0%	
U.S. flag carriers	926	1,279	1,102	36.7	100.0%
Pan Am & Panagra	915	1,234	1,074	35.8	97.5
Pan Am 2/	784	988	886	29.5	80.4
Panagra 3/	131	246	188	6.3	17.1
Other U.S. flag	11	45	28	.9	2.5
Foreign flag (Total for year: 22,804)			1,900	63.3	
Eastern U.S. and Colombia					
U.S. & foreign			2,708	100.0%	
U.S. flag carriers	686	931	809	29.9	100.0%
Pan Am & Panagra	684	919	802	29.6	99.1
Pan Am 2/	590	737	664	24.5	82.1
Panagra 3/	94	182	138	5.1	17.0
Other U.S. flag	2	12	7	.3	.9
Foreign flag (Total for year: 22,796)			1,899	70.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1352]

Government's Statistical Exhibit 65

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1952

Areas	Number of passengers March	Number of passengers September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Colombia					
U.S. & foreign			2,761	100.0%	
U.S. flag carriers	830	1,350	1,090	39.5	100.0%
Pan Am & Panagra	823	1,350	1,087	39.4	99.7
Pan Am 2/	703	1,180	942	34.1	86.4
Panagra 3/	120	170	145	5.3	13.3
Other U.S. flag	7	-	3	.1	.3
Foreign flag (Total for year: 20,052)			1,671	60.5	
Eastern U.S. and Colombia					
U.S. & foreign			2,526	100.0%	
U.S. flag carriers	657	1,057	857	33.9	100.0%
Pan Am & Panagra	657	1,057	857	33.9	100.0
Pan Am 2/	566	925	746	29.5	87.0
Panagra 3/	91	132	111	4.4	13.0
Other U.S. flag	-	-	-	-	-
Foreign flag (Total for year: 20,029)			1,669	66.1	

1/ For U.S. flag, average of March and September; for foreign flag, total for year divided by 12.
2/ No Panagra participation.
3/ With or without Pan American participation.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1353]

Government's Statistical Exhibit 66

PASSENGERS TRAVELING BY AIR BETWEEN SPECIFIED AREAS
ON U.S. FLAG AND FOREIGN FLAG CARRIERS, 1950

Areas	Number of passengers March	September	Average 1/ per month	% of U.S. & foreign	% of U.S. flag
Between U.S. and Colombia					
U.S. & foreign			1,721	100.0%	
U.S. flag carriers	505	1,462	983	57.1	100.0%
Pan Am & Panagra	504	1,453	978	56.8	99.5
Pan Am 2/	479	1,337	908	52.7	92.4
Panagra 3/	25	116	70	4.1	7.1
Other U.S. flag	1	9	5	.3	.5
Foreign flag (Total for 6 months: 4,426) 4/			738	42.9	
Eastern U.S. and Colombia					
U.S. & foreign			1,580	100.0%	
U.S. flag carriers	417	1,267	842	53.3	100.0%
Pan Am & Panagra	417	1,267	842	53.3	100.0
Pan Am 2/	399	1,177	788	49.9	93.6
Panagra 3/	18	90	54	3.4	6.4
Other U.S. flag	-	-	-	-	-
Foreign flag (Total for 6 months: 4,426) 4/			738	46.7	

1/ For U.S. flag, average of March and September; for foreign flag, total for 6 months divided by 6.
2/ No Panagra participation.
3/ With or without Pan American participation.
4/ Last 6 months, July-December. Data not available for first 6 months of 1950.

SOURCE: For U.S. flag, O-D Survey of CAB; for foreign flag, INS statistics.

[fol. 1355]

Government's Statistical Exhibit 68

PASSENGERS CARRIED BY SEA IN LINER SERVICE
BETWEEN SPECIFIED UNITED STATES COASTAL AREAS
AND THE WEST COAST OF SOUTH AMERICA, 1957 1/

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Number of passengers				
Total, all flags	4,447	3,934	265	248
U.S. flag lines	4,181	3,717	235	229
Grace and affiliate	4,167	3,717	221	229
Grace Line	3,946	3,717	-	229
Gulf & So. Am. SS Co. 2/	221	-	221	-
Other U.S. lines	14	-	14	-
Foreign flag carriers	266	217	30	19
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	94.0	94.5	88.7	92.3
Grace and affiliate	93.7	94.5	83.4	92.3
Grace Line	88.7	94.5	-	92.3
Gulf & So. Am. SS Co. 2/	5.0	-	83.4	-
Other U.S. lines	.3	-	5.3	-
Foreign flag carriers	6.0	5.5	11.3	7.7

1/ Northbound and southbound traffic combined.
2/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1356]

Government's Statistical Exhibit 69

PASSENGERS CARRIED BY SEA IN LINER SERVICE BETWEEN SPECIFIED UNITED STATES COASTAL AREAS AND THE WEST COAST OF SOUTH AMERICA, 1956 1/

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Number of passengers				
Total, all flags	4,709	4,056	365	288
U.S. flag lines	4,376	3,809	309	258
Grace and affiliate	4,340	3,807	283	250
Grace Line	4,057	3,807	-	250
Gulf & So. Am. SS Co. 2/	283	-	283	-
Other U.S. lines	36	2	26	8
Foreign flag carriers	333	247	56	30
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	92.9	93.9	84.7	89.6
Grace and affiliate	92.1	93.9	77.6	86.8
Grace Line	86.1	93.9	-	86.8
Gulf & So. Am. SS Co. 2/	6.0	-	77.6	-
Other U.S. lines	.8	*/	7.1	2.8
Foreign flag carriers	7.1	6.1	15.3	10.4

*/ Less than 0.05%.
1/ Northbound and southbound traffic combined.
2/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol 1357]

Government's Statistical Exhibit 70

PASSENGERS CARRIED BY SEA IN LINER SERVICE
BETWEEN SPECIFIED UNITED STATES COASTAL AREAS
AND THE WEST COAST OF SOUTH AMERICA, 1955 1/

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Number of passengers				
Total, all flags	4,892	4,197	393	302
U.S. flag lines	4,446	3,808	358	280
Grace and affiliate	4,408	3,808	321	279
Grace Line	4,087	3,808	-	279
Gulf & So. Am. SS Co. 2/	321	-	321	-
Other U.S. lines	38	-	37	1
Foreign flag carriers	446	389	35	22
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	90.9	90.7	91.1	92.7
Grace and affiliate	90.1	90.7	81.7	92.4
Grace Line	[illegible]	90.7	-	92.4
Gulf & So. Am. SS Co. 2/	6.6	-	81.7	-
Other U.S. lines	.8	-	9.4	.3
Foreign flag carriers	9.1	9.3	8.9	7.3

1/ Northbound and southbound traffic combined.
2/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1358]

Government's Statistical Exhibit 71

PASSENGERS CARRIED BY SEA IN LINER SERVICE
BETWEEN SPECIFIED UNITED STATES COASTAL AREAS
AND THE WEST COAST OF SOUTH AMERICA, 1954 1/

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Number of passengers				
Total, all flags	4,900	4,188	399	313
U.S. flag lines	4,408	3,773	359	276
Grace and affiliate	4,394	3,772	349	273
Grace Line	4,045	3,772	-	273
Gulf & So. Am. SS Co. 2/	349	-	349	-
Other U.S. lines	14	1	10	3
Foreign flag carriers	492	415	40	37
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	90.0	90.1	90.0	88.2
Grace and affiliate	89.7	90.1	87.5	87.2
Grace Line	82.6	90.1	-	87.2
Gulf & So. Am. SS Co. 2/	7.1	-	87.5	-
Other U.S. lines	.3	*/	2.5	1.0
Foreign flag carriers	10.0	9.9	10.0	11.8

*/ Less than 0.05%.
1/ Northbound and southbound traffic combined.
2/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1359]

GOVERNMENT'S STATISTICAL EXHIBIT 72

PASSENGERS CARRIED BY SEA IN LINER SERVICE BETWEEN THE ATLANTIC COAST OF THE UNITED STATES AND THE WEST COAST OF SOUTH AMERICA, 1951-1953 1/ (Trade Route 2)

	1953	1952	1951
Number of passengers			
Total, all flags	4,474	4,844	4,039
U. S. flag lines	4,072	3,934	3,799
Grace Line	4,072	3,934	3,799
Other U. S. lines	--	--	--
Foreign flag carriers	402	910	240
Percent of total			
Total, all flags	100.0	100.0	100.0
U. S. flag lines	91.0	81.2	94.1
Grace Line	91.0	81.2	94.1
Other U. S. lines	--	--	--
Foreign flag carriers	9.0	18.8	5.9

1/ Northbound and southbound traffic combined.

SOURCE: Maritime Administration records.

[fol. 1361]

GOVERNMENT'S STATISTICAL EXHIBIT 74

PASSENGERS CARRIED BY AIR WITH PANAGRA PARTICIPATION BETWEEN CERTAIN EASTERN SECTIONS OF THE UNITED STATES AND COUNTRIES ON THE WEST COAST OF SOUTH AMERICA, MARCH AND SEPTEMBER, 1956 AND 1957

	1957		1956	
	March	September	March	September
Between Eastern United States 1/ and West Coast Countries of South America				
Total, 4 areas below	1,451	1,595	1,437	1,815
Western Colombia 3/	102	229	160	270
Ecuador	287	439	266	475
Peru	744	637	693	659
Chile	318	290	318	411
Between Northeastern United States 2/ and West Coast Countries of South America.				
Total, 4 areas below	1,081	1,144	1,040	1,394
Western Colombia	64	152	100	166
Cali (near Buenaventura*)	64	152	100	166
Ecuador	200	291	192	365
Guayaquil*	104	156	105	191
Quito	96	135	87	174
Peru	547	455	486	486
Lima (near Callao*)	538	430	466	476
Talara*	8	21	15	9
Arequipa (near Mollendo*)	1	3	-	1
Tacna	-	1	-	-
Cuzco	-	-	5	-
Chile	270	246	262	377
Santiago (near Valparaiso*)	251	197	240	325
Antofagasta*	16	47	22	49
Arica*	3	2	-	3

* Served by Grace.

1/ Includes all of the "Northeastern U.S." states, plus Virginia, North Carolina, South Carolina, Georgia, and Florida.

2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, and the District of Columbia.

3/ Cali, Colombia.

SOURCE: O-D Survey of CAB

[fol. 1362]

Government's Statistical Exhibit 75

PASSENGERS CARRIED BY AIR WITH PANAGRA PARTICIPATION BETWEEN CERTAIN EASTERN SECTIONS OF THE UNITED STATES AND COUNTRIES ON THE WEST COAST OF SOUTH AMERICA, MARCH AND SEPTEMBER, 1954 AND 1955

	1955		1954	
	March	September	March	September
Between Eastern United States[1/] and West Coast Countries of South America				
Total, 4 areas below	1,378	1,611	860	1,558
Western Colombia 3/	150	222	123	293
Ecuador	310	488	187	426
Peru	555	598	530	581
Chile	363	303	20	258
Between Northeastern United States[2/] and West Coast Countries of South America				
Total, 4 areas below	968	1,139	519	1,075
Western Colombia	115	120	86	177
Cali (near Buenaventura*)	115	120	86	177
Ecuador	210	353	137	307
Guayaquil*	113	178	87	163
Quito	96	173	49	144
Cuenca	1	2	1	-
Peru	346	418	285	379
Lima (near Callao*)	334	404	272	366
Talara*	10	8	11	11
Cuzco	2	4	-	2
Arequipa (near Mollendo*)	-	2	2	-
Chile	297	248	11	212
Santiago (near Valparaiso*)	284	229	1	202
Antofagasta*	11	18	10	9
Arica*	2	1	-	1

* Served by Grace.

1/ Includes all of the "Northeastern U.S." states, plus Virginia, North Carolina, South Carolina, Georgia, and Florida.

2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, and the District of Columbia.

3/ Cali, Colombia.

SOURCE: O-D Survey of CAB.

[fol. 1363]

GOVERNMENT'S STATISTICAL EXHIBIT 76

PASSENGERS CARRIED BY AIR WITH PANAGRA PARTICIPATION BETWEEN CERTAIN EASTERN SECTIONS OF THE UNITED STATES AND COUNTRIES ON THE WEST COAST OF SOUTH AMERICA, MARCH AND SEPTEMBER, 1952 AND 1953

	1953		1952	
	March	September	March	September
Between Eastern United States 1/ and West Coast Countries of South America				
Total, 4 areas below	1,026	1,495	937	1,200
Western Colombia 3/	94	181	91	131
Ecuador	150	336	164	301
Peru	555	702	444	572
Chile	227	276	238	196
Between Northeastern United States 2/ and West Coast Countries of South America				
Total, 4 areas below	646	904	546	656
Western Colombia	71	120	71	90
Cali (near Buenaventura*)	71	120	71	90
Ecuador	122	242	100	180
Guayaquil*	82	141	74	127
Quito	40	101	26	53
Peru	277	349	205	231
Lima (near Callao*)	272	339	192	225
Talara*	5	4	4	1
Arequipa (near Mollendo*)	-	4	9	4
Cuzco	-	2	-	-
Chiclayo	-	-	-	1
Chile	176	193	170	155
Santiago (near Valparaiso*)	156	173	139	139
Antofagasta*	20	20	31	16

* Served by Grace.

1/ Includes all of the "Northeastern U.S." states, plus Virginia, North Carolina, South Carolina, Georgia, and Florida.

2/ Includes the New England States and the states of New York, Pennsylvania, New Jersey, Delaware, Maryland, and the District of Columbia.

3/ Cali, Colombia.

SOURCE: O-D Survey of CAB.

[fol. 1364]

Government's Statistical Exhibit 77

PASSENGERS CARRIED BY THE GRACE LINE BETWEEN THE ATLANTIC COAST OF THE UNITED STATES AND THE WEST COAST OF SOUTH AMERICA, 1955-1957 1/

	1957	1956	1955
Between Atlantic Coast of United States and West Coast Countries of South America			
Total, 4 areas below	3,717	3,807	3,808
West Coast of Colombia	235	275	319
Ecuador	308	269	354
Peru	1,407	1,431	1,418
Chile	1,767	1,832	1,717
Between North Atlantic Coast of United States 2/ and West Coast Countries of South America			
Total, 4 areas below	3,717	3,791	3,808
West Coast of Colombia	235	275	319
Buenaventura (near Cali*)	235	275	319
Ecuador	308	269	354
Guayaquil* (Puna)	192	233	354
La Libertad	116	36	-
Peru	1,407	1,421	1,418
Callao (near Lima*)	1,296	1,303	1,330
Talara*	104	105	77
Salaverry	1	2	-
Ilo	6	3	-
Mollendo (near Arequipa*)	-	8	8
Pisco	-	-	1
Paita	-	-	2
Chile	1,767	1,826	1,717
Valparaiso (near Santiago*)	1,448	1,527	1,380
Antofagasta*	213	191	211
Arica*	12	44	62
Chanaral	79	58	40
San Antonio	2	6	22
Coquimbo	13	-	-
Tocopilla	-	-	2

* Served by Panagra.
1/ Northbound and southbound traffic combined.
2/ Atlantic Coast ports from New York through Maryland.

SOURCE: Maritime Administration records.

[fol. 1365]

Government's Statistical Exhibit 78

PASSENGERS CARRIED BY THE GRACE LINE BETWEEN THE ATLANTIC COAST OF THE UNITED STATES AND THE WEST COAST OF SOUTH AMERICA, 1952-1954 1/

	1954	1953	1952
Between Atlantic Coast of United States and West Coast Countries of South America			
Total, 4 areas below	3,772	4,072	3,934
West Coast of Colombia	471	502	496
Ecuador	302	338	298
Peru	1,364	1,569	1,477
Chile	1,635	1,663	1,663
Between North Atlantic Coast of United States 2/ and West Coast Countries of South America			
Total, 4 areas below	3,730	4,067	3,910
West Coast of Colombia	471	501	496
Buenaventura (near Cali*)	471	501	496
Ecuador	302	338	296
Guayaquil* (Puna)	302	338	280
Puerto Bolivar	-	-	16
Peru	1,345	1,567	1,466
Callao (near Lima*)	1,151	1,329	1,269
Talara*	177	219	173
Mollendo (near Arequipa*)	14	12	19
Salaverry	3	7	1
Supe	-	-	1
Ancon	-	-	2
Paita	-	-	1
Chile	1,612	1,661	1,652
Valparaiso (near Santiago*)	1,348	1,344	1,304
Antofagasta*	165	214	262
Arica*	50	33	40
Chanaral	27	57	32
San Antonio	21	13	14
Iquique	1	-	-

* Served by Panagra.
1/ Northbound and southbound traffic combined.
2/ Atlantic Coast ports from New York through Maryland.

SOURCE: Maritime Administration records.

[fol. 1366]

Government's Statistical Exhibit 79

COMPARISON OF AVERAGE MONTHLY PASSENGER TRAFFIC CARRIED BY AIR WITH PANAGRA PARTICIPATION AND BY SEA ON GRACE LINE BETWEEN NORTHEASTERN U.S. AND WEST COAST COUNTRIES OF SOUTH AMERICA, 1956 AND 1957

Between Northeastern U.S. and:	1957		1956	
	Panagra 4/	Grace 5/	Panagra 4/	Grace 5/
All 4 areas below	1,113	310	1,217	316
Western Colombia	108	20	133	23
Cali or Buenaventura 1/	108	20	133	23
Ecuador	246	26	278	22
Guayaquil (Puna)	130	16	148	19
Other cities	116	10	130	3
Peru	501	117	486	119
Lima or Callao 2/	484	108	471	109
Other cities	17	9	15	10
Chile	258	147	320	152
Santiago or Valparaiso 3/	224	121	283	127
Antofagasta	32	18	36	16
Other cities	2	8	1	9

1/ Buenaventura (served by Grace) is near Cali (served by Panagra).
2/ Callao (served by Grace) is near Lima (served by Panagra).
3/ Valparaiso (served by Grace) is near Santiago (served by Panagra).
4/ In participation with Pan American and other airlines. Monthly averages were computed from data for March and September presented in Exhibit GS-74.
5/ Monthly averages were computed by dividing yearly totals shown in Exhibit GS-77 by 12.

SOURCES: O-D Survey of CAB and Maritime Administration records.

[fol. 1367]

GOVERNMENT'S STATISTICAL EXHIBIT 80

COMPARISON OF AVERAGE MONTHLY PASSENGER TRAFFIC CARRIED BY AIR WITH PANAGRA PARTICIPATION AND BY SEA ON GRACE LINE BETWEEN NORTHEASTERN U.S. AND WEST COAST COUNTRIES OF SOUTH AMERICA, 1954 AND 1955

Between Northeastern U.S. and:	1955		1954	
	Panagra 4/	Grace 5/	Panagra 4/	Grace 5/
All 4 areas below	1,054	317	797	311
Western Colombia	118	27	131	39
Cali or Buenaventura 1/	118	27	131	39
Ecuador	282	29	222	25
Guayaquil (Puna)	146	29	125	25
Other cities	136	--	97	--
Peru	382	118	332	112
Lima or Callao 2/	369	111	319	96
Other cities	13	7	13	16
Chile	272	143	112	135
Santiago or Valparaiso 3/	256	115	102	113
Antofagasta	14	18	9	14
Other cities	2	10	1	8

1/ Buenaventura (served by Grace) is near Cali (served by Panagra).
2/ Callao (served by Grace) is near Lima (served by Panagra).
3/ Valparaiso (served by Grace) is near Santiago (served by Panagra).
4/ In participation with Pan American and other airlines. Monthly averages were computed from data for March and September presented in Exhibit GS-75.
5/ Monthly averages were computed by dividing yearly totals shown in Exhibits GS-77 and GS-78 by 12.

SOURCES: O-D Survey of CAB and Maritime Administration records.

[fol. 1368]

Government's Statistical Exhibit 81

COMPARISON OF AVERAGE MONTHLY PASSENGER TRAFFIC CARRIED BY AIR WITH PANAGRA PARTICIPATION AND BY SEA ON GRACE LINE BETWEEN NORTHEASTERN U.S. AND WEST COAST COUNTRIES OF SOUTH AMERICA, 1952 AND 1953

Between Northeastern U.S. and:	1953		1952	
	Panagra 4/	Grace 5/	Panagra 4/	Grace 5/
All 4 areas below	775	339	601	326
Western Colombia	96	42	81	41
Cali or Buenaventura 1/	96	42	81	41
Ecuador	182	28	140	25
Guayaquil (Puna)	112	28	100	24
Other cities	70	--	40	1
Peru	313	131	218	122
Lima or Callao 2/	306	111	208	106
Other cities	7	20	10	16
Chile	184	138	162	138
Santiago or Valparaiso 3/	164	112	139	109
Antofagasta	20	18	23	22
Other cities	--	8	--	7

1/ Buenaventura (served by Grace) is near Cali (served by Panagra).
2/ Callao (served by Grace) is near Lima (served by Panagra).
3/ Valparaiso (served by Grace) is near Santiago (served by Panagra).
4/ In participation with Pan American and other airlines. Monthly averages were computed from data for March and September presented in Exhibit GS-76.
5/ Monthly averages were computed by dividing yearly totals shown in Exhibit GS-78 by 12.

SOURCES: O-D Survey of CAB and Maritime Administration records.

[fol. 1369]

Government's Statistical Exhibit 82

OVERSEAS CARGO CARRIED BY AIR INTO AND OUT OF NEW YORK, BY YEARS, 1953-57
(In short tons)

Year	Total Cargo Carried	North Atlantic Traffic	Latin American Traffic 1/
1953	14,424	10,023	4,401
1954	18,160	12,038	6,122
1955	22,658	15,692	6,966
1956	26,074	18,194	7,880
1957	31,266	20,292	10,974
% increase:			
1953 to 1957	+116.8	+102.5	+149.4
1956 to 1957	+19.9	+11.5	+39.3

1/ Overseas traffic to or from New York and Puerto Rico, Caribbean Islands, Central America, and South America.

SOURCE: Data supplied to CAB by Port of New York Authority, Aviation Department, Forecast and Analysis Division, in letter dated Nov. 20, 1958.

[fol 1370]

Government's Statistical Exhibit 83

CARGO AND MAIL CARRIED BY AIR BETWEEN MIAMI AND POINTS OUTSIDE CONTINENTAL U.S., BY YEARS, 1951-57 1/
(In short tons)

Year	Total	Cargo	Mail
1951	35,048	33,784	1,264
1952	40,005	38,625	1,380
1953	43,837	42,325	1,512
1954	51,268	49,564	1,704
1955	55,002	53,208	1,794
1956	64,252	62,336	1,916
1957	80,911	78,787	2,124
% increase:			
1951 to 1957	+130.9	+133.2	+68.0
1952 to 1957	+102.3	+104.0	+53.9
1953 to 1957	+ 84.6	+ 86.1	+40.5
1956 to 1957	+ 25.9	+ 26.4	+10.9

1/ Movements into and out of Miami.

SOURCE: Data supplied to CAB by Dade County Port Authority, International Airport Branch, Miami, Florida.

[fol. 1371]

Government's Statistical Exhibit 84

FREIGHT, EXPRESS AND MAIL CARRIED BY AIR ON
U.S. FLAG AIRLINES SERVING LATIN AMERICA, 1957 1/
(In thousands of ton-miles)

Airline	Freight express, & mail	Freight and express	Mail (U.S. & foreign)
Total, all airlines	88,215	79,640	8,575
Pan American & affiliates	61,179	54,487	6,692
% of total	69.4	68.4	78.0
Pan American, LAD	55,534	50,001	5,533
% of total	63.0	62.8	64.5
Panagra	5,620	4,461	1,159
% of total	6.4	5.6	13.5
UMCA	25	25	--
Braniff	1,244	871	373
Delta	702	604	98
Aerovias Sud Americana	8,415	8,415	--
American	3,795	3,582	213
Caribbean	54	36	18
Eastern	2,194	1,129	1,065
National	525	416	109
Riddle	10,027	10,027	--
Mackey	34	34	--
Western	46	39	7

1/ Revenue traffic in scheduled services of certificated carriers in foreign and overseas operations.

SOURCE: Compiled from CAB's "Monthly Report of Air Carrier Traffic Statistics, Dec. 1957," pp. 51 and 53.

[fol. 1372]

Government's Statistical Exhibit 85

FREIGHT, EXPRESS AND MAIL LOADED ON U. S.
FLAG AIRLINES SERVING SOUTH AMERICA, 1957
(In short tons)

Carrier	Total 3 areas	Loads originating in: United States	Central America 1/	South America
Freight and Express				
Pan American, LAD	36,222	22,714	12,200	1,308
Panagra	3,436	--	1,729	1,707
Braniff, International	356	201	76	79
Delta, International	515	326	172	17
Aerovias Sud Americana	7,930	4,547	3,253	130
Total, 5 airlines	48,459	27,788	17,430	3,141
Mail				
Pan American, LAD	3,277	2,260	846	171
Panagra	611	--	405	206
Braniff, International	156	70	44	42
Delta, International	62	54	1	7
Aerovias Sud Americana	--	--	--	--
Total, 5 airlines	4,106	2,384	1,296	426

1/ Includes Caribbean Islands as well as Central American countries.

SOURCE: Carrier Reports on Form 41, Schedule T-4 of CAB, for certificated carriers.

[fol. 1373]

Government's Statistical Exhibit 86

CARGO CARRIED BY SEA IN LINER SERVICE BETWEEN THE UNITED STATES AND LATIN AMERICA, BY YEARS, 1951-57 1/
(In short tons)

Year	Total exports & imports	Exports from U. S.	Imports to U. S.
1951	12,240,150	6,865,450	5,374,700
1952	11,113,850	6,398,700	4,715,150
1953	10,812,900	5,618,700	5,194,200
1954	10,578,150	5,685,950	4,892,200
1955	11,418,000	6,023,300	5,394,700
1956	12,393,200	6,901,550	5,491,650
1957	13,319,400	7,628,500	5,690,900
% increase:			
1951 to 1957	+ 8.8	+11.1	+ 5.9
1952 to 1957	+19.8	+19.2	+20.7
1953 to 1957	+23.2	+35.8	+ 9.6
1956 to 1957	+ 7.5	+10.5	+ 3.6

1/ Includes liner service traffic between all U.S. ports and foreign ports in the Caribbean Area, Mexico, Central America, and South America. The classification of vessels in liner service is based on the characteristics of each voyage (in scheduled berth operation, etc.) using the classification criteria of the Maritime Administration.

SOURCE: Bureau of the Census, U.S. Department of Commerce, from annual issues of Summary Report FT 985, U.S. Waterborne Foreign Trade (Summary Report FT 973 for 1951).

[fol. 1374]

GOVERNMENT'S STATISTICAL EXHIBIT 87

CARGO IMPORTS CARRIED BY SEA IN LINER SERVICE
TO SPECIFIED UNITED STATES COASTAL AREAS FROM
THE WEST COAST OF SOUTH AMERICA, 1957

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Cargo in long tons (2,240 lbs.)				
Total, all flags	1,689,421	1,015,412	328,498	345,511
U.S. flag lines	1,119,361	655,521	198,887	264,953
Grace and affiliate	1,101,497	655,521	198,887	247,089
Grace Line	902,610	655,521	-	247,089
Gulf & So. Am. SS Co. 1/	198,887	-	198,887	-
Other U.S. lines	17,864	-	-	17,864
Foreign flag carriers	570,060	359,891	129,611	80,558
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	66.3	64.6	60.5	76.7
Grace and affiliate	65.2	64.6	60.5	71.5
Grace Line	53.4	64.6	-	71.5
Gulf & So. Am. SS Co. 1/	11.8	-	60.5	-
Other U.S. lines	1.1	-	-	5.2
Foreign flag carriers	33.7	35.4	39.5	23.3

1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1375]

Government's Statistical Exhibit 88

CARGO IMPORTS CARRIED BY SEA IN LINER SERVICE TO SPECIFIED UNITED STATES COASTAL AREAS FROM THE WEST COAST OF SOUTH AMERICA, 1956

Cargo in long tons (2,240 lbs.)	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Total, all flags	1,487,848	827,767	399,855	260,226
U.S. flag lines	973,149	525,189	233,626	214,334
Grace and affiliate	961,197	525,189	233,626	202,382
Grace Line	727,571	525,189	-	202,382
Gulf & So. Am. SS Co. 1/	233,626	-	233,626	-
Other U.S. lines	11,952	-	-	11,952
Foreign flag carriers	514,699	302,578	166,229	45,892
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	65.4	63.4	58.4	82.4
Grace and affiliate	64.6	63.4	58.4	77.8
Grace Line	48.9	63.4	-	77.8
Gulf & So. Am. SS Co. 1/	15.7	-	58.4	-
Other U.S. lines	.8	-	-	4.6
Foreign flag carriers	34.6	36.6	41.6	17.6

1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1376]

Government's Statistical Exhibit 89

CARGO IMPORTS CARRIED BY SEA IN LINER SERVICE TO SPECIFIED UNITED STATES COASTAL AREAS FROM THE WEST COAST OF SOUTH AMERICA, 1955

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Cargo in long tons (2,240 lbs.)				
Total, all flags	1,456,008	809,869	384,448	261,691
U.S. flag lines	946,073	509,739	215,026	221,308
Grace and affiliate	943,354	509,739	215,026	218,589
Grace Line	728,328	509,739	-	218,589
Gulf & So. Am. SS Co. 1/	215,026	-	215,026	-
Other U.S. lines	2,719	-	-	2,719
Foreign flag carriers	509,935	300,130	169,422	40,383
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	65.0	62.9	55.9	84.6
Grace and affiliate	64.8	62.9	55.9	83.5
Grace Line	50.0	62.9	-	83.5
Gulf & So. Am. SS Co. 1/	14.8	-	55.9	-
Other U.S. lines	.2	-	-	1.1
Foreign flag carriers	35.0	37.1	44.1	15.4

1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1377]

GOVERNMENT'S STATISTICAL EXHIBIT 90

CARGO IMPORTS CARRIED BY SEA IN LINER SERVICE TO SPECIFIED UNITED STATES COASTAL AREAS FROM THE WEST COAST OF SOUTH AMERICA, 1954

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Cargo in long tons (2,240 lbs.)				
Total, all flags	1,331,138	706,374	370,677	254,087
U.S. flag lines	839,525	445,440	206,390	187,695
Grace and affiliate	838,289	445,440	206,390	186,459
Grace Line	631,899	445,440	-	186,459
Gulf & So. Am. SS Co. 1/	206,390	-	206,390	-
Other U.S. lines	1,236	-	-	1,236
Foreign flag carriers	491,613	260,934	164,287	66,392
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	63.1	63.1	55.7	73.9
Grace and affiliate	63.0	63.1	55.7	73.4
Grace Line	47.5	63.1	-	73.4
Gulf & So. Am. SS Co. 1/	15.5	-	55.7	-
Other U.S. lines	.1	-	-	.5
Foreign flag carriers	36.9	36.9	44.3	26.1

1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1378]

Government's Statistical Exhibit 91

CARGO IMPORTS CARRIED BY SEA IN LINER SERVICE TO THE ATLANTIC COAST OF THE UNITED STATES FROM THE WEST COAST OF SOUTH AMERICA, 1951-1953 (Trade Route 2)

	1953	1952	1951
Cargo in long tons (2,240 lbs.)			
Total, all flags	848,305	810,427	708,373
U. S. flag lines	491,496	512,543	469,653
Grace Line	491,496	512,543	469,653
Other U. S. lines	--	--	--
Foreign flag carriers	356,809	297,884	238,720
Percent of total			
Total, all flags	100.0	100.0	100.0
U. S. flag lines	57.9	63.2	66.3
Grace Line	57.9	63.2	66.3
Other U. S. lines	--	--	--
Foreign flag carriers	42.1	36.8	33.7

SOURCE: Maritime Administration records.

[fol. 1379]

Government's Statistical Exhibit 92

CARGO EXPORTS CARRIED BY SEA IN LINER SERVICE
FROM SPECIFIED UNITED STATES COASTAL AREAS TO
THE WEST COAST OF SOUTH AMERICA, 1957

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Cargo in long tons (2,240 lbs.)				
Total, all flags	1,145,207	548,869	401,356	194,982
U.S. flag lines	640,030	294,196	221,744	124,090
Grace and affiliate	639,371	294,196	221,085	124,090
Grace Line	418,286	294,196	-	124,090
Gulf & So. Am. SS Co. 1/	221,085	-	221,085	-
Other U.S. lines	659	-	659	-
Foreign flag carriers	505,177	254,673	179,612	70,892
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	55.9	53.6	55.2	63.6
Grace and affiliate	55.8	53.6	55.1	63.6
Grace Line	36.5	53.6	-	63.6
Gulf & So. Am. SS Co. 1/	19.3	-	55.1	-
Other U.S. lines	.1	-	.1	-
Foreign flag carriers	44.1	46.4	44.8	36.4

1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1380]

GOVERNMENT'S STATISTICAL EXHIBIT 93

CARGO EXPORTS CARRIED BY SEA IN LINER SERVICE
FROM SPECIFIED UNITED STATES COASTAL AREAS TO
THE WEST COAST OF SOUTH AMERICA, 1956

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Cargo in Long tons (2,240 lbs.)				
Total, all flags	1,205,421	618,757	391,234	195,430
U.S. flag lines	621,005	288,468	202,986	129,551
Grace and affiliate	621,005	288,468	202,986	129,551
Grace Line	418,019	288,468	-	129,551
Gulf & So. Am. SS Co. 1/	202,986	-	202,986	-
Other U.S. lines	-	-	-	-
Foreign flag carriers	584,416	330,289	188,248	65,879
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	51.5	46.6	51.9	66.3
Grace and affiliate	51.5	46.6	51.9	66.3
Grace Line	34.7	46.6	-	66.3
Gulf & So. Am. SS Co. 1/	16.8	-	51.9	-
Other U.S. lines	-	-	-	-
Foreign flag carriers	48.5	53.4	48.1	33.7

1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1381]

Government's Statistical Exhibit 94

CARGO EXPORTS CARRIED BY SEA IN LINER SERVICE
FROM SPECIFIED UNITED STATES COASTAL AREAS TO
THE WEST COAST OF SOUTH AMERICA, 1955

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U.S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Cargo in long tons (2,240 lbs.)				
Total, all flags	1,020,394	501,286	352,885	166,223
U.S. flag lines	518,842	227,316	192,944	98,582
Grace and affiliate	518,728	227,316	192,830	98,582
Grace Line	325,898	227,316	-	98,582
Gulf & So. Am. SS Co. 1/	192,830	-	192,830	-
Other U.S. lines	114	-	114	-
Foreign flag carriers	501,552	273,970	159,941	67,641
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	50.8	45.3	54.7	59.3
Grace and affiliate	50.8	45.3	54.7	59.3
Grace Line	31.9	45.3	-	59.3
Gulf & So. Am. SS Co. 1/	18.9	-	54.7	-
Other U.S. lines	*/	-	*/	-
Foreign flag carriers	49.2	54.7	45.3	40.7

*/ Less than 0.05%.
1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol. 1382]

Government's Statistical Exhibit 95

CARGO EXPORTS CARRIED BY SEA IN LINER SERVICE FROM SPECIFIED UNITED STATES COASTAL AREAS TO THE WEST COAST OF SOUTH AMERICA, 1954

	All three U.S. Coastal areas	U. S. Atlantic Coast (T.R. 2)	U. S. Gulf Coast (T.R. 31)	U. S. Pacific Coast (T.R. 25)
Cargo in long tons (2,240 lbs.)				
Total, all flags	926,268	482,665	309,065	134,538
U.S. flag lines	455,847	211,655	185,533	58,659
Grace and affiliate	455,830	211,655	185,516	58,659
Grace Line	270,314	211,655	-	58,659
Gulf & So. Am. SS Co. 1/	185,516	-	185,516	-
Other U.S. lines	17	-	17	-
Foreign flag carriers	470,421	271,010	123,532	75,879
Percent of total				
Total, all flags	100.0	100.0	100.0	100.0
U.S. flag lines	49.2	43.9	60.0	43.6
Grace and affiliate	49.2	43.9	60.0	43.6
Grace Line	29.2	43.9	-	43.6
Gulf & So. Am. SS Co. 1/	20.0	-	60.0	-
Other U.S. lines	*/	-	*/	-
Foreign flag carriers	50.8	56.1	40.0	56.4

*/ Less than 0.05%.
1/ Grace owns 50% of capital stock; other 50% owned by Lykes Bros. Steamship Co., Inc.

SOURCE: Maritime Administration records and Moody's Industrial Manual, 1958. "T.R." followed by a number is the Trade Route designation used by the Maritime Administration.

[fol 1383]

Government's Statistical Exhibit 96

CARGO EXPORTS CARRIED BY SEA
IN LINER SERVICE FROM THE ATLANTIC COAST OF THE
UNITED STATES TO THE WEST COAST OF SOUTH AMERICA,
1951-1953 (Trade Route 2)

	1953	1952	1951
Cargo in long tons (2,240 lbs.)			
Total, all flags	503,769	533,379	515,322
U. S. flag lines	245,310	275,390	273,078
Grace Line	245,310	275,390	273,078
Other U. S. lines	--	--	--
Foreign flag carriers	258,459	257,989	242,244
Percent of total			
Total, all flags	100.0	100.0	100.0
U. S. flag lines	48.7	51.6	53.0
Grace Line	48.7	51.6	53.0
Other U. S. lines	--	--	--
Foreign flag carriers	51.3	48.4	47.0

SOURCE: Maritime Administration records.

[fol. 1384]

GOVERNMENT'S STATISTICAL EXHIBIT 97

FREIGHT, EXPRESS, AND MAIL LOADED ON
PANAGRA PLANES, BY CITIES, 1957 1/
(In short tons)

Cities	Total	Freight and Express	Mail, U.S. and Foreign
Total, all cities	4,047	3,436	611
Canal Zone	2,134	1,729	405
Balboa	2,134	1,729	405
West Coast of Colombia	58	37	21
Cali (near Buenaventura*)	58	37	21
Ecuador	956	920	36
Manta*	63	62	1
Guayaquil*	416	400	16
Cuenca	110	107	3
Esmeraldas	17	17	--
Quito	350	334	16
Peru	169	122	47
Talara*	4	3	1
Lima (near Callao*)	163	117	46
Arequipa (near Mollendo*)	2	2	2/
Chile	385	349	36
Arica*	115	114	1
Antofagasta*	4	2	2
Santiago (near Valparaiso*)	266	233	33
Bolivia	192	171	21
Cochabamba	21	18	3
Concepcion	9	9	2/
La Paz	79	67	12
Oruro	3	2	1
Puerto Suarez	4	3	1
Robore	4	3	1
San Ignacio	13	13	2/
San Jose	13	13	2/
Santa Cruz	46	43	3
Argentina	153	108	45
Buenos Aires	153	108	45

* South American port served by Grace (see Exhibit GS-99).
1/ Data are for Panagra's on-line revenue traffic originations.
2/ Less than 1/2 ton.

SOURCE: Carrier Reports on CAB Form 41, Schedule T-4.

[fol. 1385]

Government's Statistical Exhibit 98

CARGO CARRIED BY PANAGRA PLANES BETWEEN MIAMI OR THE CANAL ZONE AND FIVE CITIES IN WEST COAST COUNTRIES OF SOUTH AMERICA, 1957
(In short tons)

	Total Cargo	Southbound flights	Northbound flights
Between Miami 1/ or Canal Zone 2/ and:			
Total, 5 cities below	1,080	964	116
Cali, Col. (near Buenaventura*)	239	214	25
Quito, Ecuador	167	138	29
Guayaquil*, Ecuador	171	163	8
Talara*, Peru	27	25	2
Lima, Peru (near Callao*)	476	424	52
Between Miami 1/ and:			
Total, 5 cities below	677	606	71
Cali, Col. (near Buenaventura*)	110	96	14
Quito, Ecuador	98	89	9
Guayaquil*, Ecuador	98	93	5
Talara*, Peru	18	16	2
Lima, Peru (near Callao*)	353	312	41
Between Canal Zone 2/ and:			
Total, 5 cities below	403	358	45
Cali, Col. (near Buenaventura*)	129	118	11
Quito, Ecuador	69	49	20
Guayaquil*, Ecuador	73	70	3
Talara*, Peru	9	9	3/
Lima, Peru (near Callao*)	123	112	11

* Served by Grace.
1/ Service between Miami and Balboa operated by Pan American.
2/ Balboa.
3/ Less than 1,000 pounds.

SOURCE: Compiled from Exhibit PGR-3 submitted by Panagra to CAB in connection with the Aerovias Sud Americana application for certificate renewal, CAB Docket No. 8614. Data for other cities served by Panagra were not included in that Exhibit.

[fol. 1386]

Government's Statistical Exhibit 99

CARGO CARRIED BY THE GRACE LINE BETWEEN THE ATLANTIC COAST OF THE UNITED STATES AND THE WEST COAST OF SOUTH AMERICA, BY CITIES, (TRADE ROUTE 2), 1957
(In long tons)

Between Atlantic Coast of U.S. and:	Total cargo	Southbound voyages	Northbound voyages
Total, West Coast of So. America	949,717	294,196	655,521
West Coast of Colombia	111,413	46,292	65,121
Buenaventura (near Cali*)	111,413	46,292	65,121
Ecuador	81,922	4,653	77,269
Manta*	929	--	929
Guayaquil* (Puna)	80,987	4,647	76,340
La Libertad	6	6	--
Peru	428,948	160,749	268,199
Talara*	11,299	11,098	201
Callao (near Lima*)	212,891	83,537	129,354
Mollendo (near Arequipa*)	5,399	5,399	--
Salaverry	27,631	2,146	25,485
Ilo	44,415	43,547	868
Pisco	2,094	197	1,897
Supe	3,287	--	3,287
San Juan	101,117	71	101,046
Paita	2,449	1,258	1,191
Mancora	304	--	304
Matarani	15,770	11,772	3,998
Chimbote	529	--	529
Pimentel	1,014	1,014	--
Eten	258	258	--
Ancon	299	260	39
Pt. Chicama	156	156	--
Pacasmayo	36	36	--
Chile	327,434	82,502	244,932
Arica*	6,465	3,336	3,129
Antofagasta*	83,008	22,948	60,060
Valparaiso (near Santiago*)	55,280	39,325	15,955
San Antonio (near Santiago*)	49,072	2,065	47,007
Chanaral	55,674	9,328	46,346
Coquimbo	48,405	19	48,386
Tocopilla	5,352	5,287	65
Caldera	17,983	--	17,983
Carrizal Bajo	6,001	--	6,001
Iquique	194	194	--

* Served by Panagra (see Exhibit GS-97).

SOURCE: Maritime Administration records.

[fol. 1387]

Government's Statistical Exhibit 100

COMPARISON OF CARGO TRAFFIC CARRIED BY PANAGRA PLANES AND BY GRACE LINE BETWEEN INDICATED U. S. ATLANTIC COAST POINTS AND SPECIFIED CITIES IN WEST COAST COUNTRIES OF SOUTH AMERICA, 1957
(In short tons)

	Panagra 1/	Grace 2/
Southbound		
Total, below cities	517	163,043
Cali or Buenaventura, 3/ Colombia	96	51,847
Guayaquil (Puna), Ecuador	93	5,205
Talara, Peru	16	12,430
Lima or Callao, 4/ Peru	312	93,561
Northbound		
Total, below cities	62	303,538
Cali or Buenaventura, 3/ Colombia	14	72,936
Guayaquil (Puna), Ecuador	5	85,501
Talara, Peru	2	225
Lima or Callao, 4/ Peru	41	144,876

1/ Includes traffic between Miami and indicated cities only (operations on segment between Miami and Balboa conducted by Pan American). See Exhibit GS-98.

2/ Includes traffic between all U.S. Atlantic Coast ports served by Grace and indicated cities (for purposes of comparability with Panagra figures, the Grace data in this exhibit are in short tons of 2,000 pounds, while those presented in Exhibit GS-99 are in long tons of 2,240 pounds).

3/ Buenaventura (served by Grace) is near Cali (served by Panagra).

4/ Callao (served by Grace) is near Lima (served by Panagra).

SOURCES: Compiled from sources indicated in Exhibits GS-98 and GS-99.

[fol. 1387a]

GOVERNMENT'S EXHIBIT 1119

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK.

Civil Action No. 90-259

UNITED STATES OF AMERICA, Plaintiff,

v.

PAN AMERICAN WORLD AIRWAYS, INC., W. R. GRACE AND COMPANY, and PAN AMERICAN-GRACE AIRWAYS, INC., Defendants.

Before The Honorable Thomas F. Murphy, District Judge

TRIAL BRIEF FOR UNITED STATES

PART II

EXCERPTS FROM TESTIMONY OF JUAN TRIPPE IN C.A.B. DOCKET 779

[fol. 1388]

In the United States District Court

For the Southern District of New York

Civil Action No. 90-259

United States of America, Plaintiff,

v.

Pan American World Airways, Inc., W. R. Grace and Company, and Pan American-Grace Airways, Inc., Defendants.

TESTIMONY OF MR. TRIPPE IN CAB DOCKET 779 WHICH THE GOVERNMENT INTENDS TO OFFER INTO EVIDENCE

I

Division of Territory

pp. 1521-22:

By Mr. Friendly:

Q. Is the letter which has been marked P-149, Mr. Trippe, a copy of a letter which you received from Mr. Hoit on or about the 18th of August, 1928?

A. It is.

Q. What did you do after you received Mr Hoit's letter?

A. I told Mr. Hoit that he had misunderstood my memorandum and that my understanding of the arrangement, as well as Colonel Hamilton's; who worked with me on the memorandum, was that the proposed joint company would operate only along the west coast of South America, and Pan American would operate in the interior of Colombia.

p. 1526:

Q. In conducting the affairs of Pan American, have you proceeded on the basis that the letter of August 31, 1928, has imposed on Pan American an obligation not to operate down the west coast of South America?

* * * * * * *

[fol. 1389] A. The answer is: we have.

p. 1544:

Q. After Pan American had acquired stock control of Scadta, did Dr. von Bauer withdraw the company from international operations?

A. He did, after a very short time. There may have been a few special flights later on, but no regular international service such as Dr. von Bauer was operating when we made our arrangement with him.

Q. Those international services which he was operating when you made your arrangements with him included services down the west coast?

A. They did, to Ecuador, and an operating concession in Peru was pending at the time.

pp. 1562-67:

A. After the advertisement on the West Coast Route was issued, we again discussed the matter with the Grace directors and Pan American agreed with them that the joint company should put in a bid which would contemplate possible subsequent operation by it from Santiago to Buenos Aires and Montevideo outside the territory of the joint company as originally agreed to.

By Mr. Friendly:

Q. The Grace directors at that time were Mr. Patchin and Mr. Cogswell; is that correct?

A. That is correct.

Q. I note also that the advertisement is for a route from the Canal Zone to Santiago rather than to Valparaiso. Did you consider that this change required any formal amendment of your agreement with W. R. Grace & Company?

*   *   *   *   *   *   *

A. Certainly not. Our agreement had fixed the general territory to be covered by the Joint Company, and it never occurred to us that changing the terminus from Valparaiso to Santiago or for that matter anywhere else in Chile required an exchange of correspondence.

*   *   *   *   *   *   *

[fol. 1390] Q. Did Pan American assist in obtaining the rights for Pan American-Grace to operate in the Argentine?

A. Yes. At the time when the advertisement was issued, Pan American already had an official in the Argentine negotiating for a concession for Pan American Airways. We arranged to have this issued in the name of Pan American-Grace Airways, but it included a right on the part of Pan American Airways also to carry the Argentine mail. As a matter of fact, our representative succeeded in getting the concession only on the very day when Pan American-Grace was to inaugurate the mail service from Santiago to Buenos Aires.

Q. Did any issue subsequently arise as to changes in the respective spheres of operation of Pan American of Pan American-Grace in the Argentine?

A. Yes, it did.

Q. When? A. In the fall of 1930.

Q. Will you tell us under what circumstances?

A. In the fall of 1930 Pan American had taken over a company known as Nyrba. A subsidiary of Nyrba known as Tri-motor Safety Airways had inaugurated service between Montevideo, Buenos Aires, and Santiago in August, 1929, and between Buenos Aires and Bolivia through the northern part of the Argentine later in that year. Our acquisition of Nyrba raised the question of the respective scope of our operations again and of Pan American-Grace's operation in the Argentine. We discussed this matter with the Grace people and we agreed that since the scope of operations of Pan American-Grace had been extended to include the Santiago-Mendoza-Buenos Aires route by mutual assent at the time when the advertisement for the mail contract was issued, Pan American was excluded from operations on the route, but was free to operate anywhere else in the Argentine, and that Pan American-Grace's operations were restricted to the route indicated.

[fol. 1391] Q. Did any incidents arise at about this time as to the respective scope of operations of the two companies in the Argentine?

A. Yes. Pan American had previously formed a national subsidiary in the Argentine for operations in that country known as Alas. Through a misunderstanding, our repre-

sentative in Argentina in September, 1930, when we were taking over Nyrba had Alas make certain flights between Mendoza, Argentine, and Santiago to Chile to carry out the commitments of the Tri-motor Safety Airways to the Argentine and Chilean Governments against which substantial bonds were on deposit. This operation was brought to my attention by Pan American-Grace. At Mr. Cogswell's request I immediately sent a cablegram to our office in Buenos Aires instructing them to discontinue this operation, by Alas, between Mendoza, Argentine, and Santiago, Chile.

* * * * * * *

Q. When did the question of operations in the Argentine by the two companies come up again?

A. It came up again in the spring of 1931 in connection with the extension of Pan American's east coast route to Buenos Aires.

Q. What questions came up at that time?

A. There were two questions. One was the question of the availability of postal appropriations for the two routes, and the second was that the Grace directors wanted to have it perfectly clear that although we were, of course, free to extend our route to Buenos Aires, Pan American was not at liberty, under the agreement between the two companies, to compete with the jointly owned company between Buenos Aires and Santiago via Mendoza.

Q. By the way, Mr. Roig had joined Mr. Patchin and Mr. Cogswell on the Pan American-Grace Board at this time, had he not?

A. That is my recollection.

Q. What position did Pan American take?

[fol. 1392] A. We took the position that, of course, we were free to operate down the east coast to Buenos Aires or anywhere else in the Argentine except that under the supplementary understanding between the two companies, had the sole right to operate between Santiago and Buenos Aires and Montevideo via Mendoza, and also that it was to operate on that route only.

Q. What was Pan American's reason for taking this position?

A. The reason for this was that Argentina was not a west coast country and that the only modification of the original agreement had been to permit Pan American-Grace to operate the route called for in the Post Office extension between Santiago and Buenos Aires and Montevideo when ordered by the Post Office Department.

pp. 1601-02:

Q. Were any proposals made about 1936 that Scadta should extend its operations into Ecuador and Venezuela?

A. Yes. About that time Pan American was informed that officials of the Colombian Government were interested in having Scadta extend service to the two neighboring countries.

Q. What was Pan American's position in regard to this?

A. We told Dr. von Bauer that such an operation was contrary to our agreement with him in 1929 and also that if Scadta were to operate a service to Ecuador, it would place us in the position of violating our agreement with Grace & Company.

pp. 1604-05:

Q. What position did Pan American take with the representatives of W. R. Grace & Company in regard to this? Before answering that question, I would like to have you define who were the representatives of Pan American and of W. R. Grace & Company who were in these discussions in 1937.

A. Mr. Rihl, the vice president of Pan American, and myself, and on occasion Mr. Young, and Mr. Roig, and Mr. Garni were representing Grace & Company.

[fol. 1393] Q. Now, will you go on and state what position Pan American took in these discussions with regard to the possible extension of Scadta's operations to Quito?

A. We said to them, among other things, that we felt that for a Colombian company of which we had stock control to operate internationally from Colombia to Ecuador would be a breach of our 1928 agreement with Grace, which we would not commit, that if no other solution could be worked out, we would dispose of our controlling interest in Scadta

but that we wished them to consider whether in lieu of this it would not be better for Pan American-Grace to become an equal owner in Seadta with Pan American.

Q. Did the Grace representatives take the position that if Pan American, as owner of a majority of the stock of Seadta, permitted that company to extend its lines into Ecuador, that would constitute a breach of the agreement between Grace and Pan American?

A. They did and we agreed with them.

p. 1613:

Q. Did Medellin come into the discussions that took place in 1937?

A. Yes, in a certain way.

Q. Would you please state how?

A. The Grace directors were interested in being able to utilize Medellin as a refueling stop.

Q. Was there any discussion of Pan American-Grace stopping at Medellin as a regular port of call for taking on and discharging traffic?

A. I think it was mentioned by the Grace directors, but we took the position that Medellin was not within Pan American-Grace's territory and I understood that they agreed.

pp. 1618-19:

Q. I note that Mr. Whitney's letter of November 19, 1938, which is Exhibit P-165, concludes by suggesting further conferences. Do you know whether such conferences were held?

A. Yes, including committees of directors of the respective companies designated for the purpose.

[fol. 1394] Q. During these discussions did Grace again urge that Pan American-Grace apply for an extension for service north of the Canal?

A. They did.

Q. And did the Pan American representatives report this to the Pan American Board of Directors?

A. They did.

Q. Would you please refer to Exhibit P-37, and more particularly to page 42, and still more particularly to the minute of the Board of Directors held on December—of the meeting of the Board of Directors held on December 28, 1938, at which this matter is discussed. Were the directors unanimous in taking the position which is set forth in those minutes?

A. They were.

Q. Has there ever been any dissent in the Pan American Board on the question of the extension of Pan American-Grace north of the Canal?

A. No. There never has been a single dissenting vote or votes.

pp. 1623-25:

Q. When did Grace next bring up the proposal that Pan American-Grace extend to the United States?

A. In the fall of 1940.

Q. What reason did they give for bringing up the matter at that time?

A. The reason given was the application which had been filed by American Export Airlines for a certificate between New Orleans and the Canal Zone. They said they were afraid that American Export would get this route as against Pan American, and would then find that the New Orleans-Canal Zone route did not offer sufficient traffic in and of itself, and would probably seek to extend its lines down the west coast in competition with Pan American-Grace.

* * * * * * * *

Q. What happened when the proposal was made?

A. We told the Grace people that we could see no reason for departing from our agreement of 1939 and that we [fol. 1395] were not impressed by the reasons which they had advanced.

Q. Was the proposal dropped?

A. We heard nothing further about it for some months.

Q. When did Grace again bring up this matter of extending Pan American-Grace north from the Canal?

A. They brought it up again in the spring of 1941.

Q. What reason did they give for bringing it up again at that time?

A. It was again the New Orleans issue, which was now about to be heard.

Q. Were there further discussions of the matter during the spring of 1941?

A. Yes, there were, largely with Mr. Rihl.

Q. Was there any change in Pan American's position?

A: No. Not at all.

pp. 1701-03:

Q. Some reference has been made to the question of Pan American's use of the phrase "dedication of capital" with respect to the present controversy. Is it a fact that this contention was first advanced in the answer that was filed by Pan American in this proceeding under date of October 26, 1942?

A. So far as I can recall, this was the first time that those precise words were used, but it certainly was not the first time that the contention was advanced. It has been advanced repeatedly in connection with a number of different matters relating to the scope of Pan American-Grace's operations. The letter of April 8, 1931, which appears on page 35 of Exhibit P-37, contains the following: "The arrangement between Aviation Corporation of the Americas and W. R. Grace & Company as a result of which your company was formed, contemplated that the sphere of operations of your company should be confined to the west coast of South America."

* * * * * * * *

[fol. 1396] Q. Will you proceed, Mr. Trippe?

A. In the discussions in 1937 in regard to Medellin the same point was emphasized by Pan American. The same position was taken by Pan American in the fall of 1938 when Grace, for the first time, seriously pressed this matter of the extension north of the Canal, and that position has since been constantly adhered to. Mr. Rihl's letter of June 19, 1941, to Mr. Roig, which appears on page 28 of Exhibit P-35, uses the phrase.

pp. 1714-18:

Q. Do you recall the various proposals that were made in regard to Pan American-Grace's operations into Bolivia?

A. Yes. The question of operating through Bolivia was discussed in the very early days when there was difficulty in making arrangements in Chile.

Although Bolivia was not on the route mentioned in the letter of August 31, 1928, it had been mentioned along with the Argentine in my original memorandum, and we agreed that the company's territory might be broadened to include Bolivia, which we considered to be definitely a west coast country, although not actually on the sea coast.

What was under discussion at this time was not a shuttle service but diverting the whole route to Buenos Aires through Bolivia if the Chilean situation could not be handled.

We rather favored this idea and had Mr. Rihl go to Bolivia to explore the situation.

However, the Chilean matter was subsequently worked out and the Bolivian proposal was dropped.

I have no recollection that the question of operating into Bolivia was raised by Pan American-Grace again for some time.

Q. Do you recall being told, around 1934, that an opportunity had presented itself for Pan American-Grace to establish a shuttle service from Tacna to LaPaz?

A. I recall the incident, although not the precise dates.

Q. What was Pan American's position?

[fol. 1397] A. We had some doubt about it, simply on the business side.

LaPaz was a high altitude airport, something over 13,000 feet, and with existing equipment only a small pay load could be available, particularly on westbound flights. Pan American was not sold on the operation as a business proposition with the equipment then available, and without United States mail pay.

Q. Did Pan American later agree to the inauguration of the Tacna-LaPaz service?

A. Yes, we subsequently did, suggesting amendments to the proposed franchise that were included.

Q. Did the question of an extension from Bolivia to the terminal at Buenos Aires subsequently arise?

A. Yes, some two or three years later.

Q. What attitude did Pan American take on this?

A. Pan American was quite agreeable to the operation of the Diagonal.

However, this matter was somewhat involved with the question which has previously arisen with respect to the inclusion of Cordoba on the Pan American-Grace operations in the Argentine.

Q. Would you tell us what that question was?

A. Sometime, I think, around 1936 a proposal was made that certain of the trips then being flown between Santiago and Buenos Aires should deviate to the north so as to serve Cordoba.

We had no objection to Pan American-Grace's serving Cordoba but since this was an alteration of the original agreement with respect to the respective spheres of operation of the two companies in the Argentine, we felt it was only fair that Pan American should be compensated for Nyrba's development work in this area, which we had taken over on our books when we acquired the assets of that company.

The route between Buenos Aires, Cordoba, and Salta, was one which Pan American had expected at some future time [fol. 1398] to operate itself, it being in Pan American's and not in Pan American-Grace's territory.

Q. Did you discuss this matter with representatives of Grace?

A. Yes, we did, and they agreed that if it was found desirable for Pan American-Grace to extend its operations to the Argentine north of Cordoba, payment should be made to Pan American, and the Cordoba stop was instituted on that understanding.

The operation of the Diagonal involved other stops in the northern part of Argentina. This brought up the question of the payment which Pan American-Grace should make.

We discussed the matter with the Grace directors and it was agreed that the amount of payment should be arbitrated by an individual to be mutually agreed upon.

Q. Who were the Grace directors who were active in this matter?

A. Mr. Roig and Mr. Patchin, Mr. Cogswell, and I believe Mr. Garni, although I am not sure whether Mr. Garni was on the Board at that time.

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Q. What attitude did Pan American take with respect to the extension of the services of Pan American-Grace in Ecuador in 1940 and in Bolivia in 1941?

A. Both these matters related to the hemisphere defense program.

We told Mr. Roig, who by this time had become president of the company, that we wished our jointly owned company to cooperate one hundred percent in this program.

Q. Was there any question that these extensions were in Pan American-Grace's territory?

A. No. They were in Ecuador and Bolivia. The operation across the border into Brazil at Corumba was approved by Pan American because Corumba was the border airport.

pp. 1740-42:

Q. I think we have now reached a point where it is appropriate for me to ask you the question which was suggested be deferred yesterday:

[fol. 1399] To summarize the reasons why Pan American has refused to consent to Grace's request that Pan American-Grace be authorized to apply for an extension of its route north from the Canal.

A. Pan American Airways, as early as 1927, had taken steps to organize an airline from the United States to the Canal Zone, and from the Canal Zone down the West Coast of South America.

A United States airmail contract between the United States and the Canal Zone was awarded the company in July 1928.

Prior to that time the active steps which I have mentioned have been undertaken by Pan American to provide service along the west coast.

This was all sometime before there was any arrangement for any possible participation by Grace and Company.

When Grace and Company finally did come into the picture it was only to take a $25,000 participation in a small company which we were to operate in Peru, with an option

to buy a half interest in our west coast airline if they decided to do so at a later date.

It was understood that, in the event Grace should decide to exercise their option, our through airline down the west coast was to be under our management, and there was also a definite understanding outlining the territory to be served by the jointly owned company in relation to other parts of Latin America which were either already served or for which plans were under way on the part of Pan American.

• • • • • • •

Grace's suggestion that this west coast line of the Pan American system in which they are given the opportunity to acquire 50 percent of the stock be now made a competitor to Pan American Airways is, in our view, a breach of the agreement between the two companies, which was first made in 1928, and which was reaffirmed in 1929.

If this company, in which Grace has had an option to purchase up to 50 per cent were to be extended to Miami the company originally created to serve as our end-on connection for our Miami-Canal Zone service would be- [fol. 1400] come the means of destroying that service, at least so far as through traffic to the West Coast of South America is concerned, and thereafter Pan American-Grace Airways would not be part of the Pan American Airways system as it was set up to be, and which it has been all these years, but would be an airline competing with Pan American.

By Mr. Cahill:

pp. 2036-37:

Q. Now, Mr. Trippe, referring to your testimony at page 1610.

A. I have 1610.

Q. Particularly to the testimony at the top of the page—in fact, I am going to query you about the whole page before we are through, but let me put to you the first question: did you mean to state that at the time when the proposal to serve Cali by an overland route was under

discussion in the latter part of 1937 or the early part of 1938, that you never raised the question of how that service would affect your subsidiary Scadta?

A. Did I raise the question?

Q. No. Did you mean to state that you never did raise the question at that time of how that would affect your subsidiary Scadta?

A. Yes, I think I referred to that in my talk in London with Mr. Roig, that has been referred to.

Q. Do you recall making objections to the institution of the service because it would adversely affect Scadta?

A. No. I believe I referred to the fact that we might have some problem with Scadta which I had hoped to get straightened out before we actually changed the route.

Q. Is it or is it not the fact that as a condition to permitting Panagra to institute the overland service to Cali, you asked them to agree not to serve Medellin or Turbo?

A. I know there was a general discussion of Medellin and Turbo.

Q. Did you ask Panagra to agree to that?

[fol. 1401] Mr. Friendly: Let the witness finish his answer?

A. I think we did on the basis that Medellin and Turbo were not in the territory to be served by Pan American-Grace as fixed by the agreement between its two owners.

Q. Now, will you just answer my question directly, not how it was done or why it was done, but was it done?

A. Yes, it was done.

pp. 2039-44:

Q. Do you recall still further that at the time you stated that if the Colombian government or the United States Postoffice required Panagra to call at Turbo or Medellin that in such event Panagra should withdraw?

A. Not at that meeting, no, but I recall that conversation came up at meetings outside this meeting at about that time.

Q. In which you so stated?

A. Conferences between Mr. Rihl and Mr. Garni and Mr. Roig and myself.

Q. Conferences in which you so stated?

A. In which I stated what?

Q. That if the Colombian Government or the United States Postoffice required Panagra to call at Turbo or Medellin that in such event Panagra should withdraw from the overland route?

A. No, I don't recall that statement. I recall the question coming up on the basis of whether the Colombian Government or the public at Medellin, directly or through —I think I used the word "synthetic"—pressure, urged that a refueling stop be turned into a regular traffic stop then, and in that event the route either ought to be shifted back to the company's own territory or provision made that would otherwise make it unattractive for Pan American-Grace to conduct commercial service in what we considered was Pan American's territory.

[fol. 1402] Q. Do you recall, still further, that later in the discussion you modified the suggestion to suggest that, in such a case, if Panagra were compelled to carry Medellin or Turbo traffic, it should pay 75 percent of the gross revenue to UMCA and Scadta?

A. I don't recall whom Pan American-Grace was to pay to, no, but I do recall that such a suggestion was made to show that there would not be any of this pressure which I have mentioned before. I might add there, to make the record clear—

Q. Just a moment please.

A. I don't think the record is clear unless I—

Examiner Brown: Go ahead.

A. That all four persons were in agreement that Pan American-Grace shouldn't carry traffic from those points because it was not in their territory, and we were seeking ways and means to take care of an eventuality that no four of us desired to happen—no one of the four desired to happen.

* * * * * * *

Q. You testified on Page 1613 that the question of stopping at Medellin was mentioned by the Grace directors, but Pan American took the position that Medellin was not

within Panagra's territory, and—I quote—"I understand that they agreed".

Will you tell us: What is the basis of your understanding on that matter?

A. My recollection of the discussions.

Q. With whom and where were they held and when?

A. One was held at Mr. Rihl's apartment at dinner, at which the four of us were present—the four directors that I have mentioned.

Q. That is?

A. Mr. Rihl, Mr. Garni, Mr. Roig, and myself. Another discussion, I think, a day or so later, we had breakfast together, if my recollection doesn't fail me, at the University Club in New York, when the matter came up.

[fol. 1403] Q. Anything else?

A. There may have been another meeting at some other place here.

Q. The same people?

A. I do recollect those two.

Q. The same people?

A. I think there were others, but I am not sure.

Q. That is the basis of this understanding you testified to?

A. Yes.

Q. Now, I put you the question: Did you ever hear any of the Grace directors state that Medellin was not within what you have chosen to call "Panagra's territory"?

A. Oh, yes.

Q. Who?

A. Well, I think Mr. Roig and Mr. Garni were both there with Mr. Rihl and myself.

Q. Which of them did you hear make that statement?

A. Well, I would say that both of them agreed that Medellin was not within the territory to be served by—

Q. (interposing) I am not asking you whether both of them agreed; I am asking you whether you heard one or both of them state that Medellin was not within what you have chosen to call "Panagra's territory" at any of these meetings that you have just described: that is my question, Mr. Trippe.

A. Yes. That would be my recollection of the general discussion at those meetings, that there was—

Q. (interposing) I am not interested in the general discussion.

Is it your recollection of what the Grace directors said?

A. I don't recall the exact words they said, naturally.

Q. What I want to know is whether it was the substance of what they said, or either of them.

A. That would be correct as to the substance of the meeting—of the discussions at the meeting.

[fol. 1404] Q. Of what one of them said or both of them said, Mr. Trippe?

A. Well, they were both there. I wouldn't recall whether it was one of them or both of them.

Q. Are you any more clear that it was said than you are as to who said it?

A. Yes, definitely. That was the impression I got, and I know Mr. Rihl got it.

Q. I am not interested in your impressions. I am asking you—

A. (interposing) That is the recollection that I got.

Q. Now, I press the question: Which of them said it, Mr. Trippe?

A. I think I have already answered that I don't recall which of them, or whether it was both of them. It was my recollection that at the meeting there was no question but what Medellin was being discussed as a refueling point and not a point to carry traffic.

p. 2102:

Q. I would like to direct your attention to another special meeting of the Panagra Board called for November 5 to consider the proposal that Panagra extend its route to the United States—November 5, 1941, again.

* * * * * * *

Q. Now, again, none of the Pan American directors attended this meeting. Was this pursuant still to the directions of the Pan American Board that they fail to attend?

A. If this was a meeting called to vote through an extension, which we considered contrary to our agreement, yes. If not, I don't know why they failed to attend.

By Mr. Harlan:

pp. 2130-31:

Q. Well, from what you say now, I can understand why you wouldn't want to sell out to Dr. von Bauer, but I don't see why it would be necessarily desirable, from that fact, that the control of Scadta eventually be placed in a group [fol. 1405] of native Colombians. Why did you consider it desirable to divest Pan American of control of Scadta and put that control in the hands of natives?

A. Well, as you will note by reference to the previous part of the exhibit, there was a possible conflict as between Scadta and Pan American-Grace Airways developing by virtue of the fact that the Colombian Government had indicated that they would like to see the Scadta Company operate both to Venezuela and to Ecuador, and we considered that if the Scadta Company did, in fact, operate to Ecuador, it would place us, for reasons beyond our control, in a position where we would be breaking our agreement with Grace & Company, and we felt that to remove that situation, it would be wise to transfer the ownership either to Pan American-Grace or, if possible, a group of native Colombians, but even in the latter event, there was no assurance, of course, that the stock wouldn't again come back into the hands of Dr. von Bauer.

pp. 2138-39:

Q. Mr. Trippe, on page 41 of Exhibit P-37, under date of April 21, 1937, reference is made to an "intercompany transfer of position on Buenos Aires-Salta route." Can you explain just what is meant by that reference?

A. Yes. It is my understanding that that referred to the transfer by Pan American to Pan American-Grace of the route to Salta in the Argentine with the exception of Santiago, the Mendoza via Montevideo route having been considered as Pan American territory, and this agreement provided for the transfer of the rights on that route as between the two companies, to Pan American-Grace Airways, and there was an arrangement with respect to fixing of a sum of money by arbitration representing certain

development costs that Pan American had on its books arising out of the purchase of the assets of Nyrba and Nyrba's development costs which had operated that route prior to the acquisition of that company by Pan American Airways.

[fol. 1406] Q. Were all of those terms included in the agreement that is referred to here as being ratified?

A. I don't think there was any formal agreement. It was just an understanding between the parties that Pan American-Grace would operate that route by agreement, and that the question of Pan American-Grace reimbursing Pan American for some of these expenses which I have referred to would be settled by arbitration.

Q. That was just an oral understanding, then?

A. That was an oral understanding, as I recall it.

By Mr. Reynolds:

p. 2187:

Q. Mr. Trippe, if your proposal at the time of the Cali issue originally was for the operation of a shuttle service or local service, how does it happen that the territorial arrangement with Scadta or the possible competition with Scadta ever was mentioned in your London conversations with Mr. Roig? I am not quite clear on that.

A. Well, I wasn't clear over there at that time, either, as to whether Dr. von Bauer or the Scadta directors who—with one exception, Colombians—felt that Cali was a west coast city. We felt so after a certain amount of salesmanship by Mr. Roig and his associates, and we felt that Cali was a west coast point within the purview of our agreement. We wanted to be sure that the Scadta people would also agree with that point of view in which they did, and I think agreed in '37 to interpose no objection and, in fact, I think to assist if they were called upon, for Pan American-Grace to serve Cali in lieu of Buenaventura, which was the point specified in the Government treaty, the Kellogg-Olaya Treaty.

pp. 2200-02:

Q. Now, Mr. Trippe, referring to your previous conversations with Mr. Roig in London in regard to this proposed operation to Cali, and ignoring the suggestions you made about equipment and traffic considerations, just for the purpose of summarizing, is it correct to say that you took [fol. 1407] the position, in your discussions with Mr. Roig and thereafter, that Panagra should not operate through Cali because your original agreement with Dr. von Bauer and the Colombian Government, and the purchase of Scadta stock, making possible treaties under which Panagra was enabled to bid on its route and operate in Colombia, imposed the obligation not to operate in the interior of Colombia?
A. Well, your question has to do whether that summarizes the discussion in London.
Q. Yes, except for the equipment and traffic features of it.
A. Well, I don't recall—

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Mr. Reynolds: I would just as soon refer it to the specific discussions in the fall of '36, but I thought perhaps the question might be easier to answer and the summary more accurate if we did consider the following discussions, too.

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The Witness: May I have the question read again, please?

(The question was read by the reporter.)

A. Well, I wouldn't think that was a proper summary, no.

By Mr. Reynolds:

Q. Well, what is wrong with it?
A. Well, first of all, I wasn't sure how Dr. von Bauer would feel about whether Cali was considered a west coast port or not. Second, one other problem we had with Dr. von Bauer was the pressure he was under to operate to Venezuela and Ecuador, and I was concerned at the meeting in London whether we shouldn't just get into a more or less unfortunate mess that would work to the disadvantage of Pan American-Grace and Pan American and Scadta, because of inability to discuss the problem with Dr. von

Bauer. I felt we could readily secure his support or at least his agreement not to oppose the Cali stop if an opportunity was had to discuss it with him.

[fol. 1408] Q. You didn't take a definite position that these entire arrangements actually did impose an obligation upon Panagra to keep out of the interior of Colombia?

A. Which obligations were those?

Q. The obligations arising out of your original agreement with von Bauer and the treaties and so on.

A. Oh, no. The arrangements I referred to were the agreements between Pan American and Grace & Company whereby Pan American-Grace would not operate in the interior of Colombia.

Q. What agreement was that?

A. That was the agreement entered into between the parties prior to the letter of August 31, 1928.

Q. That dates back to the organization?

A. Oh, yes, definitely. That had nothing to do with the question of any agreement between Pan American-Grace and Scadta or Pan American and Scadta, other than Dr. von Bauer was to continue in the management of Scadta when we purchased the stock.

pp. 2206-07:

Q. Now, referring to P-37 again page 4, minute of the executive committee of Pan American Airways Corporation for May 13, 1931, first sentence, what, Mr. Trippe was the position taken by the Postmaster General relative to the proposed extension from Santos to Buenos Aires?

A. I think the Postmaster General was very anxious to have the extension made. At that time, both French and German linds were preempting that sector of South America and it would be my recollection that he was anxious to provide for the extension.

Q. And when the matter came up in the Panagra minutes of March 18, 1931, of course, you are familiar with the fact that there was a discussion there as to possible conflict of interests and then there subsequently was some exchange of correspondence. Your original letter on the subject, appearing on page 35 of this same exhibit, dated April [fol. 1409] 8, 1931, which is referred to in the minutes on

the previous page, now, I would like to ask, Mr. Trippe, if this letter on page 35 contained a summary of past understandings and agreements with respect to territories in which your respective companies were to operate, particularly the second paragraph: is that an accurate summary of past agreements?

A. Yes, with the exception that the Colombian arrangement was not included in this particular paragraph.

Q. And these agreements which are referred to are only the August 31, 1928, letter and other original arrangements, there is no other writing, is that it?

A. No other writing that I know, and the arrangements prior to the letter, of course, were worked out by Mr. Hoit, and I believe Mr. Iglehart and perhaps Mr. Patchin. That was referred to in Mr. Hoit's letter that I believe was in the exhibit.

pp. 2210-11:

Q. Now, Mr. Trippe, referring to the operations which ultimately resulted in the diagonal route of Panagra, I believe Mr. Roig gave us the impression that the stop at Cordoba, which diverted the Santiago-Buenos Aires route slightly, was the first point which is now on the diagonal to which Panagra operated. Is that your recollection?

A. Yes. My recollection would be that the route between Mendoza and Buenos Aires was shifted to the north so as to embrace Cordoba.

Q. At that time you opposed that Cordoba service, did you not?

A. I think we took the position that that was a part of Argentine which was Pan American Airways territory as compared to Pan American-Grace under the original agreement, and we through some appropriate reimbursement to Pan American should be made by Pan American-Grace, particularly with respect to the development charges that we had on our books, having purchased Nyrba—or as a result of having purchased Nyrba.

Q. Your position, then was that the Cordoba service not only was east coast or east of the Andes service, but also was former Nyrba territory?

[fol. 1410] A. Well, it was east coast territory, and we

felt that any change to include Cordoba or other points in the Argentine should be by agreement with Pan American, and we thought that it would be only proper that if we were going to abandon that sector of Argentine that at least certain development costs relating to the acquisition of Nyrba having to do with that territory should be reimbursed.

pp. 2228-30:

Q. Mr. Trippe, I believe that the record indicates so far that under the original 1928 agreement and the discussions that led up to it, the contemplation was that territories would be divided in the terms of east coast and west coast with the exception of Panagra operation to Buenos Aires. That is generally correct, is it not?

A. I don't believe so.

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A. My understanding is that the territory reserved for the joint company was the west coast of South America including in so far as Colombia was concerned the west coast of Colombia and that the interior and north coast of Colombia were reserved for Pan American.

Q. And south of Colombia, the west coast of South America was reserved for the joint company of Panagra?

A. That is correct.

Q. With the exception of the operation across the Andes to Buenos Aires?

A. Which was agreed to at a later date.

Q. At a later date?

A. That is correct. When the mail contract came out.

Q. And at the same time all the operations south of Colombia on the east coast of South America was reserved for Pan American and its future plans?

A. Well, wouldn't you describe it as the north coast of Colombia, you see, Colombia being a west coast country with the exception that it has a north coast and the interior territory.

[fol. 1411] Q. And in addition to Colombia, all of the east coast of South America was set apart for Pan American?

A. That is right. The caribbean and elsewhere in Latin America.

Q. And you are satisfied that there were discussions and negotiations that came to a definite agreement on that proposition?

A. Definitely.

Q. Now, when you sent the cablegram regarding the ALAS operation which has been marked P-157, I note that you referred to the terriforial division in terms of east and west of the Andes, and what I am interested in knowing, Mr. Trippe, is whether there was a subsequent agreement or subsequent conversations that put the territorial division on the basis of a line running along the Andes with the exception of Colombia, we will say.

A. No, there was not. May I read the telegram?

Q. Yes, please.

A. I believe that language relates to the specific discussion relating to Argentina and Chile. That would be my interpretation of the cable.

Q. You yourself chose that manner of description in the cablegram, but there had been no previous discussions in terms of east and west of the Andes even in Argentina, and Chile?

A. No. The original arrangement of '28, as I said, related to the west coast of South America with the exception of the Colombian territory.

pp. 2232-35:

Q. Mr. Trippe, when the operation to Cali was authorized in connection with which there again had to be discussions regarding the sphere of influence on operations in Colombia, isn't it a fact that your authorizing to Cali stop by Panagra also included with it the understanding with the Grace directors that Panagra would not operate to Medellin and would not operate in UMCA territory.

[fol. 1412] A. Well, that came up in this way, as I recall it: it was suggested that Cali was on the west coast, it being the city served by the Port of Buenaventura, and the question discussed was what other cities were in the category of west coast cities, and it is my recollection that the Grace directors, and I believe Mr. MacGregor also, who sat in on a number of the conferences, was in agreement that Medel-

lin and Turbo did not consist of west coast cities in terms of our agreement.

Q. There were Grace directors in those conferences?

A. Oh, yes.

Q. And at that time wasn't there some discussion also about Panagra's keeping out of the Caribbean area? Even though you took the position that the original agreement covered that anyway, there was also discussion about that at that time, was there not?

A. Yes, I think there was an attempt made to reaffirm the original agreement, but the main question came up as to whether Grace & Company, having participated in the organization of Pan American-Grace should not operate. I think that was where the argument turned. I don't recall that there was any argument about Pan American-Grace at the time, but there was a definite question about Grace & Company itself.

Q. That is, applying for its own route through a different company?

A. We took the position at the time that they were partners with us in this enterprise and wasn't it fair that they should agree not to operate, and they took the position: No, that it wasn't fair, that they were not in a position to bind their principals. This was Mr. Roig and I think Mr. Garni that the conversations were had with.

Q. Did they come to a solution of any kind?

A. No, we did not get anywhere. The discussions also related to Scadta. In other words, that Scadta would be brought into the arrangement in some definite way to provide for a sphere of operation for Scadta as determined between Scadta and Pan American-Grace as well.

Q. And you did come to an understanding on that feature?

[fol. 1413] A. No, I don't believe so. There was no memorandum agreed to at all or executed. The Grace directors took the position that if Scadta extended to Quito, it would conflict with the Pan American agreement with Grace, and we agreed with them. We said that if that actually developed, that we felt that we would have to dispose of a majority of the stock and that led into a discussion again of Pan American-Grace buying a part of our ownership in

Scadta to avoid what we thought was a most unfortunate possible contingency if Scadta were forced to extend, and we, therefore, were forced to divest in consideration of the general position at that time.

Q. And you proceeded upon the assumption or understanding that your obligations toward each other, as between Pan American and Grace or Panagra, affected not only Pan American Airways or Pan American Airways Corporation, but also the subsidiaries over which you had control?

A. Over which we were able to effect control, and while we didn't have direct control for the reasons that I mentioned yesterday over Scadta, we did sit with the actual ownership of the majority stock and we felt that would not be proper in relation to our agreement with Grace if Scadta should extend to Quito, by pressure or otherwise.

Q. You have also proceeded upon that understanding that your original agreement bound your subsidiary companies, with respect to any other subsidiaries of South America, have you not?

A. That is correct.

Q. ALAS, Panair do Brasil?

A. That is all correct.

Q. Is that all correct as of the present time?

A. Yes, so far as I know.

Q. Now, Mr. Trippe, there has been a proposal fairly recently within Pan American, has there not, that Panair do Brasil extend its operations from Corumba to LaPaz?

A. Not that I know of, no.

[fol. 1414] Q. No one in your own Board or executive committee or your own personnel in Pan American was agitating for an extension of Panair do Brasil to LaPaz?

A. If they did, I don't know anything about it.

Q. If they did, you would oppose it, as being contrary to the general policy since Panagra already operates there?

A. Unless we got the assent of Grace & Company.

Q. And you would do that because in your view there is a definite agreement covering that type of situation?

A. Definitely.

By Mr. Friendly:

pp. 2619-23:

Q. Mr. Trippe, you testified on cross examination at pages 2036 and following to a series of meetings between Mr. Rihl, Mr. Garni, Mr. Roig, and yourself, at which there was discussion among other things as to whether Medellin and Túrbo were in Pan American-Grace territory.

I ask you now to give us your best recollection as to the date when those conferences occurred.

A. Well, my recollection is that they occurred in the spring of 1937 and not in the winter of '37 and spring of '38. As you say, in reading over my testimony on page 2036, I misunderstood Mr. Cahill's question and I would like to clarify my reply.

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Q. Now, is it your testimony that it was your understanding at this series of meetings that Mr. Garni and Mr. Roig agreed that Medellin and Turbo were not within Pan American-Grace's territory?

Mr. Cahill: I object to the understanding. I think we should be told what they said.

Examiner Brown: What was the question?

(The question was read by the reporter.)

Q. Tell us what was said at those meetings on the subject, Mr. Trippe.

[fol. 1415] A. Yes. It was my recollection of those meetings that while Cali—was that while Cali was agreed to have been within Pan American-Grace's territory, as defined by the original agreement, that Medellin and Turbo were not, and it is my recollection that Mr. MacGregor also at that time—

Mr. Cahill: I object to this. I move to strike out what was already given as not being responsive to the direction of the Examiner. Give us the conversation.

Examiner Brown: Give us as close as you can what was said at the conference with respect to the matter.

The Witness: Well, of course, Mr. Examiner, I can't recall the exact conversation.

Examiner Brown: Certainly, we don't expect you to.

A. It is my recollection that Cali was agreed to as being a west coast city.

Examiner Brown: That is, by all of the parties to the conference?

The Witness: By all who were included in the conference.

A. (Continuing) And that Medellin and Turbo, it was agreed, were not west coast cities. We were discussing this question, of course, from the point of view of our original understanding.

By Mr. Friendly:

Q. Tell us to what extent Mr. MacGregor participated in any of these discussions or as to any expressions that he made on this subject at about this time.

A. It is my recollection that Mr. MacGregor did not sit in the two meetings that I referred to in my direct testimony, namely, the dinner at Mr. Rihl's house or the breakfast at the University Club which I believe occurred either next day or shortly thereafter, but, of course, Mr. MacGregor was familiar with the general conversation, and it is my recollection that he also indicated that he did not feel Medellin and Turbo were west coast countries, within the purview of our agreement.

Q. You said west coast countries.

[fol. 1416] A. West coast cities, I mean.

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Q. All the testimony you have given this morning, just so the record may be clear, relates to discussions in the spring of 1937 at the time of the institution of service to Cali when the S-43 was under discussion; is that correct?

A. That is correct, and some months, perhaps six months before the question of the operation of the overland route was up for consideration.

Q. Now, I ask you to proceed to this time when the discussions of the overland route did take place, which I take it—which I think are shown by the record to be late in 1937 and early in 1938, and ask you how Medellin and Turbo entered into those discussions.

A. Well, the question of Medellin and also Turbo figured in those discussions as a possible emergency stop or refueling stop. Pan American felt that in view of the fact that these were not west coast points that it was obviously improper, from the point of view of the agreement between the parties that Pan American-Grace at any later time, due to pressure by the people of Medellin, either direct or indirect, were to make these emergency or refueling stops into what might become traffic stops—traffic stops in Pan American territory. In view of the fact that these stops were not in Pan American-Grace territory, we felt it fair that some definite arrangement should be worked out so as to avoid the possibility that Pan American-Grace serve these cities at a later date. Perhaps without the wishes of the Grace directors, and for that reason the two alternate proposals were made by Pan American at the time, namely, that if Pan American-Grace were forced to accept traffic at Medellin in our territory that they should give up Medellin as a stop, and, failing in that, some percentage of the commercial traffic originated at Medellin be turned over to us.

Mr. Cahill: By "us" you mean Pan American?

The Witness: Well, I am not clear at the time whether it was Pan American or UMCA. Of course, we owned a substantial part of UMCA at the time. I am not clear [fol. 1417] whether it was Pan American or UMCA. That, I can't recall.

By Mr. Friendly:

Q. Now, you have referred to this original agreement as to Pan American-Grace's territory, and I would like to have you state just what Pan American's position is with respect to that agreement.

A. Well, our position is that the original territorial agreement was made in the fall of 1928.

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A. (Continuing) At that time we made the arrangements whereby Grace was to have an option to participate in the airline from the Canal Zone down the west coast. Pan American's position is that this agreement has always re-

mained in effect, that it has been liberalized from time to time to the advantage of our joint company by consent of Pan American Airways and finally that it was reaffirmed under the 1939 agreement with respect to any possible future operation in the Caribbean by Pan American-Grace Airways.

By Mr. Reynolds:

pp. 2741-42:

Q. Mr. Trippe, these early discussions about which you have again referred concerning Divisions of territory or sphere of operations in Colombia, I believe you corrected some dates as to when discussions occurred in the earlier testimony and testified to the effect that it was decided that Cali was a west coast city and that Medellin and Turbo were not. How does it happen that Medellin and Turbo were even mentioned in these earlier discussions, Mr. Trippe? What was their connection at the time?

A. Well, we were discussing the question of what constituted a west coast city or a west coast port, and the matter of Bogota and other places came up too, as I recall. It was just one of those general discussions.

[fol. 1418] Q. The real issue was over whether Panagra would be entitled to operate into Cali, was it not?

A. That is right. Whether Cali was a west coast port.

Q. And you agreed among yourselves that it was?

A. Within the terms of the original agreement between the parties.

II

Pan American-Panagra Competition

By Mr. Friendly:

pp. 1738-39:

Q. If the Board were to order an extension of Pan American-Grace's certificate to include an operation between the Canal Zone and Miami, and this should be placed

in operation, what would be the effect upon Pan American's service between Miami and the Canal?

A. It would be disastrous. In normal times the greater portion of the traffic carried by us on direct flights on our route between Miami and the Canal Zone was traffic destined for or originating at points on the routes of Pan American-Grace.

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If Pan American-Grace's own operations were ever to be extended to the United States northbound business from the West Coast to points most conveniently reached through the Miami gateway would be almost wholly diverted from Pan American, since Pan American-Grace, as the originating carried would control this traffic through to the United States.

Southbound the situation would be almost as bad since Pan American-Grace would naturally give preference in making reservations to through passengers originating on its own lines in Miami, rather than hold space at the Canal for Pan American bookings, which would be contrary to its own interest.

In other words, Pan American's route from Miami would be almost completely cut off from participation in the business to and from the west coast of South America, and the west coast operation would not be part of the Pan [fol. 1419] American Airways system service as it was set up to be and still is today, but would become an integral part of a competitive air route.

By Mr. Reynolds:

pp. 2178-79:

Q. Mr. Trippe, is there any question in your mind but what Pan American Airways Inc. and Panagra are in a competitive position—limiting it only to position—in part at least due to the connecting service between such common points as Miami and Buenos Aires?

A. Yes. I would state that with a small part, however, of the Buenos Aires traffic that might be said to be the case.

Our traffic department have reported to me that most passengers who go to Buenos Aires have some definite reason to go by one coast or the other coast, and tourists usually go by one coast and come back by the other coast, so that we have felt, from the point of view of practical operations, that there was very little or a competitive nature with respect to that traffic to Buenos Aires proper, and moreover that was only a very small part of the total traffic originated by or destined to points on Pan American-Grace route.

Q. The position itself is competitive, but there may be other factors which enter into the question of competition; that is your answer; is that right?

A. That is correct.

* * * * * * *

Q. What about the service from the United States, particularly from Miami, to Cali? Is there any doubt but what, from the standpoint of position alone, Pan American and another subsidiary are in a competitive position with Pan American-Grace for at least a portion of the revenue, Mr. Trippe?

A. Well, there may be also a minor degree of competition there, but we have felt it very small, and in fact haven't advertised the through connection to Cali by way of Scadta.

[fol. 1420] III

Grace Line-Panagra Competition

By Mr. Friendly:

pp. 1496-97:

Q. Will you state what this map represents and conclusions that you draw from it.

A. Well, the International Trunk Line routes of the Pan American System in Latin America, together with the Grace Steamship routes as they existed in 1940 are shown. This map illustrates the competitive position of the Grace steamship services and the Pan American Airways System including Pan American-Grace Airways. It shows

that while Pan American-Grace complements the other operations of the Pan American Airways System as an end-on carrier to Pan American, both it and the extension across the Caribbean are directly competitive with the Grace Line, the traffic between the United States and the West Coast of South America.

p. 1499:

Q. In your opinion, Mr. Trippe, has there been a conflict of interest between the Grace Line and Pan American-Grace Airways and the other routes of the Pan American Airways System with respect to passenger business?

A. There has.

Q. Is it your opinion that that will recur after steamships are restored to the West Coast trade?

A. It will, and will become even more acute, in my opinion, when cargo movement by air becomes more important than it now is.

pp. 1588-89:

Q. Has your connecting service between Miami and the Canal Zone been affected by the service operated by Pan American-Grace south of the Canal?

A. Definitely, from the very beginning.

[fol. 1421] Q. Has that sector of Pan American-Grace's route immediately south of the Canal been what is called a bottleneck?

A. Yes, it has.

* * * * * * * *

Q. In your opinion did the conditions that existed on this sector adversely affect the through business of Pan American-Grace Airways as against its steamship competitors?

A. They certainly did.

pp. 1612-13:

Q. Is it true, Mr. Trippe, that prior to the present proceeding Pan American had made no complaint that the Grace Line or W. R. Grace & Company was taking any

action prejudicial to the best interests of Pan American-Grace?

A. No, I don't think that is a correct statement.

Q. Had Pan American made such complaints to the Grace directors prior to the present controversy?

A. Yes, on many occasions. In the early days when the question of providing adequate facilities along the west coast as certain overnight stops came up, the Grace directors stalled on providing what we considered reasonable hotel facilities. Even prior to the letter which Pan American directors were forced to submit, complaining of the general equipment and facilities situation, a number of acrimonious discussions had taken place. We compared the accommodations and facilities Grace was holding out to the public as being offered on its steamship services, with the very rudimentary facilities available to passengers at some stops on the competing airline. In this connection we referred to the Grace Steamship advertisements featuring luxury, speed and gaiety to back up our position. This matter came up again in a large way in 1937 when the overland service via Cali was under discussion. We felt and said that the insistence on hauling the through international passengers by this circuitous route, which almost guaranteed the continuance of the bottleneck, was moti- [fol. 1422] vated by their more important competing steamship investments.

pp. 1739-40:

Q. Will you please explain what you mean by that?

A. The company would be placed in the position where there was a conflict of interest, not only between it and Grace, as has been true in the past, but with both of its two owners.

From the very onset the Grace Company as owner of the Grace Line has had an interest adverse to the through passenger business of Pan American-Grace.

While this adverse interest, of course, has been dormant since 1940, I think it will be revived when the Grace Line resumes passenger operations, and that it will be felt to the same extent in the field of air cargo when that part of the air transportation business develops.

By Mr. Reynolds:

pp. 2177-78:

Q. Now, Mr. Trippe, we have some testimony in the record about a map which the board probably will not see, but your statements to the effect that the Grace line was in a competitive position with Pan American-Grace Airways—by "position" there, Mr. Trippe, you referred to points of service, line of routes; is that correct?

A. Yes. We had reference to the fact that a competitive position existed between Grace and Company as steamship operators, and Pan American-Grace Airways.

Q. Well, the position has to do only with the position of the service—the territory served—is that correct?

A. And the ability to move traffic by either ship or by air.

In other words there was a competitive form of transporation between the Grace steamships and the airlines.

Q. Passengers and shippers had an option of using either type in reaching a certain destination point, did they not?

[fol. 1423] A. For instance, between points in the United States and points on the west coast of South America.

IV

Price Fixing

pp. 2236-37:

Q. Now, referring to another matter: you came to an understanding early in Panagra's history, did you not, Mr. Trippe, that Panagra would clear with Pan American all mail, passenger, and express rates, so that there would be as few discrepancies as possible between the rate structure of the entire Pan American system, and you had definite correspondence on that, did you not, Mr. Trippe?

A. I don't recall any incident to which you refer. It is a fact that Pan American, I think, is the nominee of Pan American-Grace that actually files rate tariffs with the Civil Aeronautics Board. I understood that that arrangement is in effect, yes.

Q. You don't recall having written Mr. MacGregor under date of March 10, 1930, or thereabouts, definitely setting forth such an arrangement, and Mr. MacGregor's reply stating that you correctly set forth the understanding?

A. No, I don't recall it. I remember during those years there was a problem of—well, let me put it this way: that there was a certain amount of confusion from time to time, that Pan American's office in Washington handles nearly everything for Pan American-Grace as well as other units of the system. Pan American-Grace doesn't have any Washington office. And I think there was some discussion as to the machinery that would be set up so that the Washington office would be properly apprised of the steps being taken from time to time by both companies and would be kept informed of anything being done, so that it could properly act.

pp. 2239-41:

Q. You do have uniform passenger and freight fares also between Miami and Buenos Aires via either coast, Mr. Trippe?

[fol. 1424] A. Yes, sir. I believe that has been the practice of the companies.

Q. And is that by definite agreement, Mr. Trippe, or by what?

A. No agreement that I know of. It is just a kind of arrangement that is usually entered into by different carriers serving a common point.

* * * * * * *

Q. Since your rates are uniform between the common points Miami and Buenos Aires, and further since the distance actually traveled by Panagra is shorter, Mr. Trippe, just why is it that Panagra can not operate at a lower rate for that through traffic than Pan American can on the east coast?

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Examiner Brown: I don't understand the question, Mr. Reynolds.

Mr. Friendly: I wonder if Mr. Reynolds could rephrase that.

. . . .

Q. As a matter of business operation, Mr. Trippe, couldn't Panagra operate more reasonably from Miami to Buenos Aires in conjunction with the connecting service that Pan American could from Miami to Buenos Aires down the east coast, and thereby afford a saving to the public in lower fares?

A. Well, I think that is a question difficult to answer, Mr. Reynolds. First of all, the difference in mileage is not very substantial, you appreciate, over the cut-off on the east coast. Second, even though there was a fairly substantial amount, isn't that the sort of thing that is often done by carriers working between common terminals?

[fol. 1424a]

GOVERNMENT'S EXHIBIT 1120

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 90-259

UNITED STATES OF AMERICA, Plaintiff

v.

PAN AMERICAN WORLD AIRWAYS, INC., W. R. GRACE AND COMPANY, and PAN AMERICAN-GRACE AIRWAYS, INC., Defendants

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Before The Honorable Thomas F. Murphy, District Judge

TRIAL BRIEF FOR UNITED STATES

PART II

EXCERPTS FROM TESTIMONY OF HAROLD ROIG IN C.A.B. DOCKET 779

[fol. 1425]

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 90-259

UNITED STATES OF AMERICA, Plaintiff,

v.

PAN AMERICAN WORLD AIRWAYS, INC., W. R. GRACE AND COMPANY, and PAN AMERICAN-GRACE AIRWAYS, INC., Defendants.

TESTIMONY OF MR. ROIG IN CAB DOCKET 779 WHICH THE GOVERNMENT INTENDS TO OFFER INTO EVIDENCE

I

Division of Territory

By Mr. Cahill:

pp. 766-68:

A. • • •

While the matter has been discussed here as a difference of opinion regarding equipment, it was really nothing of the sort. I personally took part in the discussions with Mr. Trippe in New York and in London. Mr. Garni was also in the discussions. There was no nonesense about what the issue was at that time. It wasn't a question of a land operation or boat operation. It was a question of keeping Panagra out of Colombia because Pan American had acquired a large stock interest in Scadta from a German interest which had formed it and which continued to dominate its management, and they just didn't want Panagra to come into the interior of Colombia and they weren't at all bashful about saying so.

As a matter of fact, it was suggested—Mr. Trippe suggested to me in London, and the minutes of Pan American's Board of Directors show, that they offered to settle the

matter by having Grace or Panagra buy part of the Seadta stock and if we had accepted that offer, there wouldn't have been any discussion about equipment in connection with that operation.

* * * * * * * *

[fol. 1426] Pan American opposed it on the grounds that it would be competitive with their investment in Seadta and their investment in UMCA which was operating from the Canal Zone up to Medellin at that time, to the best of my knowledge:

p. 771:

Q. Now, is it your testimony that Pan American did not want Panagra to enter Colombia?

A. That is what we were told at the time.

Q. And by whom?

A. By Mr. Trippe and others.

p. 810:

Brazil: While, of course, we touch Brazil, that is essentially in the sphere of Pan American's activity, and I need not go into the local companies there. So that we have local national companies.

By Mr. Friendly:

pp. 843-45:

Q. There have been discussions, have there not, as to the respective scope of operations of Pan American and Pan American-Grace in South America?

A. Yes, sir.

Q. And has not W. R. Grace and Company taken the position that Pan American is obligated not to operate in west coast countries?

A. We haven't always. We didn't take that position when Pan American brought Seadta which operated in the western part of Colombia.

We didn't take it when they bought or organized UMCA which went to Medellin.

We haven't taken it yet in connection with the service that I understand they have started in the last few days in Peru, as far as Iquitos by Panair do Brasil. Of course, we would take it in that instance. We probably would take it in that instance; I don't know. It is a matter that is under discussion. No doubt it will be arranged.

Q. Do you construe the agreement as imposing any obli-
[fol. 1427] gation on Pan American not to engage in operation, say, down the west coast to a point such as Lima?

Mr. Cahill: What agreement?
Mr. Friendly: Letter of 1928.
Mr. Cahill: Which letter?
Mr. Friendly: August 1931.

A. That letter contains nothing on the subject at all. It isn't even an agreement.

By Mr. Friendly:

Q. Is it your position, then, that Pan American is entirely free, so far as any agreement with W. R. Grace and Company is concerned, to start an airline down the west coast of South America?

* * * * * * * *

A. I know of no agreement in any enforcible sense covering that subject matter. Answering your question, Grace certainly would be as much surprised if Pan American should undertake to run a line down the west coast paralleling Panagra as I am sure they would be if Panagra contemplated similar action down the east coast.

pp. 886-87:

Q. Does the statement that "Mr. Trippe thinks it would be economically better for Panagra to charter a clipper for the service between Cristobal and Guayaquil than to invest a minimum of $250,000 in building two planes" correctly set forth Mr. Trippe's position, as you recall it?

A. Not as I understood it, and as I recall it, no. My recollection is that Mr. Trippe's reason for suggesting that we charter an S-42 was in order to put Pan American in control of the Northern Division o our line and to prevent us from going into Colombia. I was very much more fa-

miliar with Mr. Trippe's mental processes at that time than was Mr. MacGregor.

[fol. 1428] By Mr. Reynolds:

pp. 1085-88:

Q. As a matter of fact your extension to Buenos Aires came about at the instance of the Postoffice Department, did it not?

A. As I recall it we had the option under our mail contract to extend, and we exercised the option shortly after the execution of the contract.

Mr. Friendly: I think it was the other way.

The Witness: Was it the other way?

Mr. Friendly: Yes.

* * * * * * *

Q. At the time that was done was it pointed out to you by any representatives of the Pan American interests that Buenos Aires was beyond the scope of the original purposes for which Panagra was formed?

A. Oh, no.

Q. Was there any discussion of that nature?

A. Oh, no. The entire board was in favor of it. All voted for it.

Q. That included Buenos Aires and Montevideo both, didn't it, at that same time?

A. Yes.

Q. Now, when the issue was presented regarding inclusion of Cordoba as a stop on the across-the-Andes operation, where there was some diversion, in the discussions that surrounded that question, was mention ever made of the fact then that you were operating at a point outside the territory mentioned in the original agreement?

A. I stated yesterday what the particular discussion did relate to.

Q. That had to do with the acquisition of Nyrba?

A. Yes.

Q. And the payment—

A. (interposing) Yes. I do not recall that the matter was brought up at that time. I am certain that no such argument

[fol. 1429] as is being made in this case was made at that time.

Q. And how about the extension to LaPaz?

A. No. There was no point made.

Q. No such point ever made?

A. No such point made in the extension of LaPaz.

• • • • • • •

Q. When the February 14, 1939, agreement was executed, during the negotiations for that agreement was the point ever raised that Panagra's extension to the United States was beyond the scope of the original purposes?

A. Yes. In those discussions this letter was produced, so far as I can recall, for the first time, and was argued to be an agreement that we would not extend beyond the limits referred to in that letter.

Of course, we took vigorous exception to that interpretation of the letter.

Q. Did you ever hear of the phrase "dedication of capital" in connection with those discussions?

A. I don't recall hearing of that phrase until these proceedings began.

pp. 1146-48:

Q. Now, Mr. Roig, if you will turn, please, tc PG-2 on page 5, which is minutes of Pan American-Grace Airways meetings. The pages are not numbered, but it is the last page for the minutes of the meeting of March 18, 1931.

(Discussion had off the record.)

By Mr. Reynolds:

Q. Referring to the statement which you made, which begins the long paragraph on that page—if you want to read it while we wait—

The Witness: I would like to. Yes, I have read it.

By Mr. Reynolds:

Q. What is the proposed extension to which these remarks referred?

[fol. 1430] A. As I recall it, it was a Pan American extension from Rio or Santos to Buenos Aires on the East Coast.

Q. And you stated that Pan American have an undoubted right to extend their service to Buenos Aires and to operate in the Argentine except between Buenos Aires and Mendoza, if they desire. What was the restriction on their right to operate between Buenos Aires and Mendoza?

A. Well, Buenos Aires and Mendoza—Mendoza is the last point in the Argentine before we take off across the Andes to Santiago, and the point there was that Panagra was already operating in that area, and we didn't expect Pan American to parallel us.

Q. There had been an understanding at that time, had there, that there was to be no paralleling of either route by the other?

A. I think that is a fair statement, yes.

Q. And what was it that occasioned your remarks—

A. (Interposing) I would like to say—understanding about paralleling each other—

Q. (Interposing) I mean duplicating.

A. No. It was always more or less taken for granted and understood that Panagra was operating the route on the West Coast and Pan American the route on the East Coast, and that we weren't going to run up to Rio and they weren't going to run up to Lima, but that didn't extend beyond that rather particular area.

Q. Well, as a general proposition you marked your dividing line as east or west of the Andes, did you not?

A. No, it was not east or west of the Andes when it came to that particular sector. We ran on to Buenos Aires at that point, but north of Santiago, even there it would only be true where it so happened that the countries in which we were operating were mostly west of the Andes. In practice, since we have extended into the interior of Bolivia, for example, we just sort of automatically made a juncture at the Bolivian-Brazilian border with Panair do Brasil, but, of course, in going into the interior of Bolivia, we were [fol. 1431] getting east of the Andes, but that was never any dividing line.

Q. I am referring only to early days at this point, and except for your east-west route over to Buenos Aires, dis-

cussions during the early days did assume the division of spheres as east and west of the Andes, did they not?

A. East and west coast, let's say.

pp. 1156-57:

Q. Referring to the time at which the controversy over operation to the interior of Colombia was settled: you testified that the real issue there—and no one made any attempt to conceal it—was the matter of competition with Scadta, I believe.

A. I did.

Q. Mr. Trippe so told you in London, as I recall?

A. Well, that matter had been discussed long before that. My testimony regarding the meeting in London was that I took up with him again there the question of this overland route and it was on that occasion that he suggested for the first time that one solution of the matter might be for Panagra or Grace to purchase a portion of their investment in Scadta.

• • • • • • •

Q. Just what was it that Mr. Trippe told you with respect to the competitive angle with Scadta, to the best of your recollection?

• • • • • • •

A. At various discussions which I had with Mr. Trippe in connection with the overland operation with Douglass, the point was made that an overland operation serving Cali, calling at Turbo and passing by Medellin, because our route, as we fly it now, passes by Medellin, and at that time we had suggested that we also include Medellin in the route, and he took the position that anything of that kind would be competitive with Scadta, which was serving Medellin and Cali.

[fol. 1432] pp. 1160-62:

A. Well, they certainly took that position with reference to our doing business in Medellin, or even in Turbo, although that is an insignificant spot, because of their investment in Scadta.

Q. And the idea was that that had been agreed upon when they went into Seadta; is that it?

A. No, I wouldn't say that. There had been no agreement between us, between Panagra, Grace, or Pan American, at the time Pan American made their investment in Seadta. We didn't know they had made it for some time, and the extent of the investment was a mystery for a great many years, nor was it ever said, that I recall, that they had made any agreement with Seadta. Whether they had or not, I don't know. That matter was not discussed. It was simply a question that they had this investment in Seadta and that they had acquired it under the circumstances I referred to, and for those reasons we should not go into Seadta's territory. There was also a very long and metaphysical discussion as to whether Medellin or even Cali were East Coast or West Coast.

Q. Then, when it was finally decided that Panagra should be permitted to go into Cali, it was also decided that Panagra should not go into Medellin?

A. Oh, yes.

* * * * * *

A. There was another point that entered into the matter as a factor and that was the UMCA service that has been referred to.

Q. In what manner was that a factor?

A. The UMCA Line ran between the Canal Zone and Medellin providing direct service between those two points. UMCA was owned, I have always understood, in large part by Pan American and, of course, for Panagra to go into Medellin would have been competitive with UMCA.

Q. And was that point specifically raised and mentioned as such in any of these discussions?

[fol. 1433] A. Oh, yes, at or about the time of the '39 agreement, there was active discussion as to whether or not Panagra might not purchase UMCA. We were rather anxious to do it. That matter was left for discussion later on without any commitment on anyone's part, and the possibility of our purchasing it was brought up on a number of occasions afterward. I personally brought it up with Mr. Whitney and Mr. Rihl, but nothing ever came of it.

By Mr. Friendly:

pp. 1375-76:

Q. It is your testimony that there was no agreement between Pan American Airways and W. R. Grace and Company as to where Pan American-Grace was to operate and where Pan American Airways was to operate?

A. I think I have said before that there was no written or enforcible agreement that I recall, but that there was a general understanding that Pan American's operations were on the East Coast of South America, and that Panagra, so far as they related to South America, were on the West Coast.

There is no agreement that they were not to be extended, however, if that is the inference from the question.

By Mr. Cahill:

pp. 3264-65:

Q. Let's turn to another subject. Mr. Trippe has testified in this case that when the question of Pan American's extension to Buenos Aires arose in the spring of 1931, the Grace directors wanted to make it clear that Pan American was not at liberty under the agreement between the two companies to compete with Panagra between Buenos Aires and Santiago via Mendoza. Now, I want to ask you whether or not this agreement to which Mr. Trippe has made reference was in the nature of a general understanding entered into after the formation of Panagra and prior to Pan American's acquisition of Nyrba in 1931?

A. Well, it was certainly after the formation of Panagra. [fol. 1434] The point from which it dates in my recollection is partly in connection with the points you have mentioned about Panair competing with Panagra's line through Mendoza, developed further at the time that Pan American acquired Nyrba, and to the best of my recollection given definite expression for the first time in the cable that Mr. Trippe sent at Mr. Cogswell's request at the time that ALAS had made a flight to Santiago.

Q. Between what two companies was this general understanding?

A. That understanding was between Pan American and Panagra.

By Mr. Friendly:

pp. 3293-97:

Q. Now, would you turn, please, to G-154?

A. I have it.

Q. Particularly page 2 of your memorandum to Mr. Iglehart.

A. Yes.

Q. And still more particularly to the sentence reading "Except for Panagra's undertaking not to operate on the east coast of South America in exchange for Pan American Airways similar undertaking with respect to the west coast." When were those undertakings exchanged?

A. As I explained this morning, it is my understanding that they came into existence commencing with Panagra's operation to Buenos Aires, continuing through Pan American's acquisition of Nyrba, and stated, I believe, the first time that I think of in writing in Mr. Trippe's telegram which is in evidence—cable.

Q. Now, Mr. Roig, let's go back to the first date—Panagra's extension to Buenos Aires. Who requested whom for an undertaking at that time?

A. I do not recall. It might well have been mutual.

Q. Were you a party to any of these discussions?

A. I don't recall when I first became a party to any discussions on this east coast-west coast matter.

Q. When Panagra extended from Santiago to Buenos [fol. 1435] Aires, did you ask Pan American for any undertaking not to operate on the west coast?

A. I don't recall doing so myself, but I think the matter was discussed at that time.

Q. And at that time Pan American Airways was asked to enter into a general undertaking not to operate on the west coast?

A. I don't think it took any such formal shape as that at that time.

* * * * * * * *

Q. Wasn't it your testimony, Mr. Roig, that at the time of the extension by Pan American-Grace from Santiago to Buenos Aires, Pan American was asked to undertake not to operate on the west coast?

A. I don't recall to testifying—to so testifying.

Q. When was Pan American asked to undertake not to operate on the west coast?

Mr. Cahill: I object.

A. When?

By Mr. Friendly:

Q. When, if at all?

A. That question definitely came up in connection with the trip by ALAS. That was some later.

Q. Operation between Buenos Aires and Mendoza would not be operation on the west coast, would it?

A. No.

Q. Would you explain, please, what Pan American was asked to undertake at that time?

A. They were asked to make it clear that they were not to parallel Panagra's route between those points which was a part of its route to the west coast.

Q. Was Pan American ever asked to undertake not to operate, say, from the Canal Zone to Quito?

A. Was Pan American ever asked?

Q. Yes.

[fol. 1436] A. Through Pan American, Scadta was asked not to operate to Quito from points in Colombia. I don't recall the question of the Canal Zone being involved.

Q. Was that request made on the basis of the undertaking that you refer to here?

A. I think so, yes.

Q. What is your statement as to when that undertaking not to operate down the west coast from Colombia to Ecuador was given?

A. Well, it is difficult for me to be too dogmatic as to the time when that understanding which later became so well-known started, but to the best of my recollection, for whatever it may be worth, at the time that Panagra

began operations to Buenos Aires, which was late in 1929. Pan American was expecting to operate down the east coast—may, I think, have been operating some portion of the east coast or north coast at that time—and I have a pretty vague recollection, but I state it, such as it is, for what it is worth, subject to correction if I am wrong, that at that time there was some general conversation to the effect that Panagra was not to operate on the east coast with the exception of this route to Buenos Aires, and that Pan American was not to operate on the west coast. Now, as I say, my recollection is not very clear and it was nothing at that point which was more than general conversation. I do think that the matter became the subject of further conversation when Pan American actually got, through their purchase of Nyrba, as far south as Buenos Aires, and when that ALAS flight was made.

By Mr. Reynolds:

pp. 3394-95:

Q. Referring to the discussions as a result of which the Cali stop was permitted, you testified yesterday that the subject of Medellin, Turbo, and Bogota—that the discussions included consideration of those points, the possibility as to Panagra's serving them, and then added that the matter was not disposed of, however, on the basis of territorial delineation, as I recall: is that correct?

[fol. 1437] A. Yes.

Q. What was the basis upon which the disposition was made?

A. The basis was that, in order to secure Pan American's acquiescence in our going ahead with the overland route, and giving us a quorum, although not voting, to pass the necessary authorization, Panagra agreed that regardless of in whose territory these places might be we would not carry on commercial business to these points, and that we would use them only as emergency, or, in the case of Turbo, fuel stops.

That did not include Bogota. There was no serious discussion of going to Bogota. That related to Medellin and Turbo.

By Mr. Friendly:

pp. 3416-17:

Q. Mr. Roig, on this question of Medellin and Turbo, don't you recall that those matters were—Let me put it this way:

Do you recall a series of meetings in March and April 1937 at which various matters in connection with Colombia and Ecuador were discussed?

A. Yes, I do.

Q. Those included the meetings at Mr. Rihl's apartment and breakfast at the University Club, as to which there has been testimony, and some others; isn't that right?

A. Yes.

Q. Wasn't one of the subject that was discussed at those meetings the question of Medellin and Turbo—not as a matter for immediate operation but as a matter of arriving at an understanding on the spheres of operation?

A. Well, the idea I tried to convey was that they may well have been discussed at an earlier date, in sort of an academic way, but they were not vital matters of discussion until we were actually operating overland. I think they were referred to in those discussions, and I didn't intend to give a contrary impression. I am sorry if I did.

Q. No. I think that that was fairly clear. I just wanted to have it entirely clear.

[fol. 1438] A. I was relating myself primarily to the time it became a real issue and questions of specific method of handling it were discussed.

Q. Do you recall, in those discussions in the spring of 1937, the Grace directors expressed concern about the proposed Scadta operation in Ecuador?

A. Yes.

Q. Were you told that the president of Colombia was pressing to have that service established?

A. Yes.

Q. And you expressed concern over even a so-called survey flight being made?

A. Yes.

II

Through Flight

By Mr. Gambrell:

p. 1073:

Q. Mr. Campbell yesterday or the day before testified as to the possibility of an interchange of equipment between Pan American and Panagra at certain times. In your opinion, would an arrangement, under Board Authority, whereby Panagra would operate its equipment on Pan American's route between Canal Zone and Florida, solve the difficulties you have spoken of?

A. It would not solve it.

III

Pan American-Panagra Competition

By Mr. Cahill:

pp. 1343-44:

Q. * * * Now, turning, Mr. Roig, to some questions that were put to you on cross examination as to whether Pan American had opposed increases in Panagra frequency. Do you recall answering such a question in the negative on the express condition that the question related solely to frequency?

[fol. 1439] A. That is correct. I amplified that in part on cross examination by Mr. Reynolds. I would like to mention further the fact that it is also true that, as I felt from my observations and contact with the business, the initiative for these increased frequencies and shortening of schedule time throughout all this period came from Panagra, and it almost always happened that simultaneiously Pan American would step up the frequency on its East Coast service, and to what extent that may have retarded our progress I don't know.

There was also very little encouragement to Panagra's cutting down its elapsed time, which would continue or

even increase the discrepancy between the East Coast and the West Coast service.

Q. Discrepancy in what respect?

A. In elapsed time.

Q. How about the publicity on that?

A. Well, the publicity on that always suppressed the fact that Panagra was quicker, and in a great many instances was so artfully worded as to convey the impression that the schedules that Panagra was operating were being operated on the East Coast.

IV

Panagra-Grace Line Competition

By Mr. Gambrell:

pp. 1044-46:

Examiner Brown: Mr. Gambrell, your question is then —Why not ask Mr. Roig:

Do you believe, Mr. Roig, that air rates should be made on a competitive basis with steamer rates?

Mr. Gambrell: Well, that what I want to ask him, Mr. Examiner.

Examiner Brown: I am asking that.

The Witness: Certainly.

Examiner Brown: Should they be lower or higher than steamer rates?

The Witness: Well, they should be competitive. There [fol. 1440] are many things to be considered besides whether they are actually lower or higher on the basis of a ticket from point to point.

The domestic air lines make a great point of the fact that they are cheaper than the railroads, even though the actual fare may be higher than the railroad fare because of other considerations.

Examiner Brown: But your rates are fixed on a competitive basis with steamers?

The Witness: Oh, certainly.

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Q. Well, let me ask this question—

A. (interposing) Let me say: Grace Line, not W. R. Grace and Company.

Q. (continuing) In September 1937, when this letter was written, was a consideration in raising the rates the fact that the steamship rate at the time was very close to the airline rate?

A. The letter says so.

V

Grace Control

By Mr. Friendly:

p. 989:

Q. There has been testimony as to the transfer of employees from the payroll of the Grace agencies to that of Pan American-Grace Airways in 1943. It is a fact, is it not, that the individuals so transferred remain under the general direction and supervision of the Grace managers in the respective locations?

A. That is correct in most cases.

pp. 999-1003:

Q. In cases where the offices of Pan American-Grace in Lima desire to initiate a capital expenditure, has it been necessary in the past that they obtain the approval of the local Grace manager?

A. Part of the functions of the Grace offices under our management arrangement consist of financial control and our form of R.C.A., which we referred to the other day provides for the approval of the local agency of capital expenditures, and that is regular practice.

[fol. 1441] Q. That practice extends even to equipment of a technical character, does it not?

A. Yes, but the Grace agent doesn't attempt to pass on the technical character or the technical side of it. There is a financial aspect to even a technical purchase. In addition to the Grace agent, the thing is signed by the local

officials of Panagra, by Mr. Campbell in New York, and by Mr. Vidal in New York, and by me. It carries a long list of signatures of people approaching it from a variety of different angles.

Q. Haven't there been complaints by the management of Pan American-Grace as to this practice of requiring the approval of the local Grace manager on R.C.A.'s?

A. There have been no complaints from the top management. In fact, it was instituted as part of the arrangements and was one of the desirable features of the arrangement. I know there have been objections from people concerned of refusal to sign by me or Mr. Vidal or Mr. Campbell. There may have been by the Grace agent. That is the reason we let people sign. That is the reason we don't let them decide things for themselves. That is what management is. Of course, when management asserts itself, if he doesn't agree with somebody, he complaints.

Q. Colonel Harris was part of the top management, was he not?

A. Yes, but he was not the top management.

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Q. Actually, if the vice president in South America, which Colonel Harris then was, wished to make a capital improvement which affected more than one country, he had to get the R.C.A. cleared with the Grace manager in each country, did he not?

* * * * * * *

A. I don't recall the practice in 1936.

Examiner Brown: What is it today?

The Witness: Well, today, if the R.C.A. originates in Lima, which is the head local office of Panagra in South America, I think the local Grace management would check it, but I am sorry to say I can't swear to it.

[fol. 1442]

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Q. Hasn't a recommendation been made during your presidency for the modification of this practice of requiring that R.C.A.'s be cleared with the Grace agency? Isn't that true?

A. I don't recall it, but it may have been.

* * * * * * *

Q. Does this new procedure which you have described have some top limit as to the amount that can be expended in this way?

A. Of course, there has always been a small limit, I don't recall whether it was $500 or $1000, which never required an R.C.A. There is no fixed limit on this setup, but it was understood—I think I discussed it myself with Mr. Kirkland on one of his trips here, that, of course, it didn't mean absolutely wide open situation, and that there would be capable consultation at least with New York, and it has extended, however, to sums running, I think into five figures.

Q. Do those smaller expenditures have to be cleared with the agencies or not?

A. You mean $500 or $1000?

Q. Yes.

A. No, I don't think so.

By Mr. Reynolds:

p. 1145:

Q. When you came to the 1939 agreement wherein you were to be elected president, did that mark the determination of the Pan American claims for right to operate?

A. Oh, by that time the matter had been dropped and the agreement, by its very language, shows that the president to be elected was to be in responsible charge of the company's business.

VI

Joint Offices and Publicity

By Mr. Reynolds:

[fol. 1443] p. 1187-90:

Q. Now, referring to the Buenos Aires office, you gave considerable attention to that in connection with the 1939 discussions, as I recall?

A. Yes.

Q. You were of the opinion at that time that the office was not properly organized; is that correct?

A. That is correct; and I was further of the opinion then and at all times since that Panagra should control the office since we pay the major part of the expense.

Q. Well, doesn't Panagra control the office?

A. No, we do not.

Q. Who does?

A. Pan American Airways. They own all of the stock of the subsidiary which owns the office, and although we contribute 60 percent and have been as high as 66 percent of the expense, employees of that office are employees of a subsidiary of Pan American and they respond technically and substantially to Pan American and not to Panagra. They do make certain reports to Panagra, but even that hasn't always worked satisfactorily, and they do not consider that they are under our orders, and they are not. We can indicate what we would like to have done, and generally speaking, they carry it out, but there is quite a difference between being the boss and not being the boss, and we are definitely not.

* * * * * * *

Q. And, as a matter of fact, as the office is now organized, it is definitely understood that neither the route of Pan American nor the route of Panagra will have—will be favored over the other, is it not?

A. That is understood and will be, I think, carried out in good faith.

pp. 1193-96:

Q. Now, Mr. Roig, returning to the matter which we have all carefully avoided with you for some time, of publicity, may I ask if you endorse Mr. deGroot's views that Panagra [fol. 1444] should have a separate publicity department in the United States?

A. I certainly do, and I have so requested on a number of occasions, orally and in writing.

Q. Extending over what period?

A. Quite a good many years.

* * * * * * *

Occasions have arisen time after time where Panagra's interests have not only been subordinated and obscured but have been, in my opinion, even actively prejudiced by the publicity department whom we were paying to provide us with publicity. I have made complaints on the subject to higher officials in the Pan American organization, including Mr. Trippe on more than one occasion when particular instances have occurred. I have always been assured or I have generally been assured that it was too bad or it was a mistake and it wouldn't happen again, and in no time at all something else just like it would happen. There has never been any evidence that I have been able to see of any disposition on the part of the head officers of Pan American Airways to correct the publicity situation at all.

VII

Price Fixing

By Mr. Reynolds:

pp. 1170-71:

Q. Now, Mr. Roig, I would like to refer to Exhibit P-37 on Page 33, the meeting of the executive committee of Pan American Airways, Inc., dated February 4, 1931, where the meeting is purported to have involved the discussion of two or three different items, including uniform postal service between Buenos Aires and the United States on both the east and west coast, the effectuating of uniform tariffs and schedules by Pan American Airways, Inc., and Panagra, and the coordination of operations by the two companies at Buenos Aires, and so forth.

(Off .e record.)

[fol. 1445] By Mr. Reynolds:

Q. Referring first to the discussion that uniform tariffs and schedules between Pan American Airways and Panagra be effectuated, was that ever done subsequent to that meeting, if you know?

A. Well, to the best of my recollection we have always had uniform tariffs, east and west coast, by way of Miami.

This date must have been about the time that Pan American were inaugurating their service extension from Rio to Santos to Buenos Aires, and I imagine that contemplated inaugurating their schedules on that basis.

[fol. 1445a]

GOVERNMENT'S EXHIBIT 1121

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 90-259

UNITED STATES OF AMERICA, Plaintiff,

v.

PAN AMERICAN WORLD AIRWAYS, INC., W. R. GRACE AND COMPANY, and PAN AMERICAN-GRACE AIRWAYS, INC., Defendants.

Before The Honorable Thomas F. Murphy, District Judge

TRIAL BRIEF FOR UNITED STATES

PART II

EXCERPTS FROM TESTIMONY OF H. C. DOBBS, A. E. SINCLAIR, ROBERT H. PATCHIN, ADOLPH GARNI AND W. F. COGSWELL IN C.A.B. DOCKET 779

[fol. 1446]

IN THE UNITED STATES DISTRICT COURT.

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TESTIMONY OF MR. DOBBS IN CAB DOCKET 779 WHICH THE GOVERNMENT INTENDS TO OFFER INTO EVIDENCE

I

Grace Control

By Mr. Friendly:

pp. 2334-37:

Q. On your trip in 1941, you observed the passenger handling facilities at each of the airports where the airplanes stopped, did you not?

A. Yes.

Q. And in Buenos Aires, Santiago, Valparaiso, Lima, Guayaquil, Cali, and the Canal Zone, you also observed the downtown offices and talked with the traffic men there; is that correct?

A. That is correct.

Q. Now, did you learn of any resistance that had been offered to the traffic promotion of Pan American-Grace by the Grace agents or by W. R. Grace & Company?

A. Mr. Van Law and Mr. Muhlfeld had both told me in the past that they had met difficulties and opposition in promotions of airline business.

Q. Will you tell us in what way?

Mr. Cahill: Just a minute. Both told you in the past. You mean they told you at this time or at an earlier time?
[fol. 1447] The Witness: At an earlier time by Van Law and on this trip by Muhlfeld.

Mr. Cahill: Beg pardon?

The Witness: And on this trip at this time by Muhlfeld. Prior to that by Van Law when he was there.

Mr. Cahill: I move to strike out Van Law as not being responsive to the question.

The Witness: I will be glad to answer the question. Will you read the question again?

(The question was read by the reporter.)

Examiner Brown: I take it the question is directed to this particular trip, Mr. Dobbs, so please so restrict your answer.

The Witness: All right.

Mr. Cahill: I take it the motion is granted, then: the motion to strike?

Examiner Brown: Yes.

A. As an instance, Mr. Muhlfeld told me in Lima that at the time that Aerovias Peruanas was discontinued or merged with Faucett, they had a very attractive downtown office, which I had been in on my previous trip, and which he had tried to have retained for the exclusive use of Pan American-Grace Airways promotion of traffic business, but his efforts had met with failure, as he told me they were flatly turned down by Grace in New York.

In Valparaiso, when I was there on this trip in 1941, I noticed on the counter used by Pan American-Grace Airways for passenger transactions that there was a poster of Pan American-Grace Airways which was partially covered by another advertisement or poster which I don't remember exactly what the top poster referred to, but since the airline poster was mostly covered, I asked the traffic representative behind the counter about uncovering it, and he said that it had been so covered by instructions of the senior agent. I was accompanied on this trip—

[fol. 1448] Mr. Cahill: Who was this you asked this question of?

The Witness: The traffic representative back of the counter.

Mr. Cahill: Give us his name so we can identify him.

By Mr. Friendly:

Q. Do you know his name?

A. I think with considerable thought I could give you his name. I don't have it offhand in my mind.

Mr. Cahill: Of course, it is hearsay even when you know the man, but I submit when it is hearsay with an unknown, there is some question about it.

The Witness: I know the man, so he can easily be looked up and I think we can get the name all right. He is an English-speaking young Chilean who told me at lunch that he was leaving for the Royal Air Force as soon as he could. It wouldn't be difficult to get his name, and I will see if I can ~~get it for~~ you.

A. (continuing) Mr. Salsilli, who was with me, having come down from Santiago, as he is the senior employee of the agency charged with the duty of Pan American-Grace Airways passenger affairs, told me that that was just one of the things he couldn't do anything about.

p. 2342:

Q. Did any traffic official of Pan American-Grace ever tell you that the Grace agents had followed a practice of selling air transportation only as far as the Canal and thence by boat to the United States?

A. Mr. Van Law made such a statement to me in 1936 when he was traffic manager.

Mr. Knauer: Traffic manager where?

The Witness: In Lima in 1936.

[fol. 1449]

TESTIMONY OF MR. SINCLAIR IN CAB DOCKET 779 WHICH THE GOVERNMENT INTENDS TO OFFER INTO EVIDENCE

I

Grace Line—Panagra Competition

By Mr. Friendly:

pp. 2557-65:

Q. Did Pan American-Grace have any traffic representatives of its own in Ecuador during this period?

A. No. We didn't have any traffic representatives that were on the payroll of Pan American-Grace. For a short while we did have one agency man that devoted his full time to the services of Pan American-Grace.

Q. That is a Grace agency man?

A. Yes, a Grace agency man, a Guayaquil agencies man.

Q. Did the Grace agencies in the other countries in the Northern Division, to wit Colombia and Panama—have any employees at this period who devoted their full time to the affairs of Pan American-Grace?

A. No. At all other points our business was handled by regular agency personnel who devoted their time to the regular business of their particular agency.

Q. Can you tell us why this special arrangement was made in Ecuador?

A. Well, in January, 1936, I went down to Guayaquil on special instructions from Mr. George P. Smith to survey the market for possibilities in connection with air transportation, and specifically to study the possibilities of promoting air express. On my arrival at Guayaquil I contacted the Guayaquil Agencies Co., who were our agents and our representatives in that country. The manager at that time, as I have already stated, was Mr. Manuel Holquin and his two assistants, Mr. Ararte and Mr. McLean. I conferred with these gentlemen and asked them what the business possibilities for air express were in that particular territory. I found them a little vague about what I was talking about, in the first place—

Mr. Cahill: I move to strike out that he found them a [fol. 1450] little vague. Let him continue to tell us what was said.

Mr. Friendly: What is the Examiner's ruling on it?

Examiner Brown: Go ahead.

A. I asked Mr. Holquin what, if anything, had been done to develop air express, and he told me that an employee by the name of Cordovez had investigated the possibility of handling some lobster shipments. That was the extent of the work that had been done in that connection, according to the information given to me by Mr. Holquin. We continued discussion and I asked him if he did not have a man on contact work visiting shippers, studying their shipping problems, and studying the possibility of handling some of their imports or exports over our air express service. He told me that he did not have such a man.

By Mr. Friendly:

Q. Did you suggest anything?

A. Well, I recommended to him the very important desirability of appointing an agency man to devote his time to that type of work, and Mr. Holquin then told me that he did not see why it was necessary that Pan American-Grace should have such a man since the Grace Line did not have a man doing that type of work. I explained to Mr. Holquin that the Grace Line was the established form of transportation in that particular area, and had been so for several years past, that Pan American-Grace was offering a brand new service, and that it was necessary that that service be made known to the public of Ecuador, and the shippers and importers in that area.

Q. What did he say to that?

A. We continued the discussion, it was quite a lengthy discussion, and Mr. Holquin finally ended up agreeing that he would make an effort to locate a man for my purpose, but that he believed that it would be quite difficult to find just the right type of man.

Q. Did you try to help him out with a suggestion?

A. Yes. Before I had departed from Cristobal, Mr. [fol. 1451] George P. Smith had mentioned to me the fact that a young employee of the Guayaquil Agencies Co., by the name of Gustavo Jiminez had been showing a great deal of interest in the business of Pan American-Grace. He had been sending us up small notes with the pilots and making minor recommendations and reporting complaints to us that he had received from passengers, and Mr. Smith consequently recommended that I consider Gustavo Jiminez as a possible candidate for what we had in mind.

Q. Did you pass that on?

A. Yes. I recommended that Mr. Gustavo Jiminez be appointed for that work.

Q. What did Mr. Holquin say?

A. Mr. Holquin told me that Mr. Jiminez could not devote his full time to that work, as he had other duties to perform within the agency. These duties were to a great extent related to Pan American-Grace. He was in charge of receiving and dispatching aircraft, handling the mail, handling different things for us down there, and in addition to that, of course, he apparently did some other duties for the Diagonal Agencies Co., with which I was not familiar.

However, Mr. Holquin did agree that in view of my insisting and recommendations, Mr. Jiminez could and should devote whatever time he had left over from his other duties to this type of work, and he asked me to undertake the instruction of Gustavo Jiminez along the lines of the type of work that I wished to have done down there.

Q. Did you do that?

A. Yes, I did. At the first opportunity that I found when Jiminez has some free time, I had quite a lengthy discussion with him. I explained to him the type of business that I believed could and should be secured in Ecuador. I explained to him the details of the way to go about getting this type of business. I found that he, Mr. Jiminez, himself had some extraordinarily good ideas that we rounded off and developed as the conversation went on.

[fol. 1452] Eventually, some day or so later, when Jiminez had additional free time, I made some actual visits to various prospective shippers and importers in Guayaquil in

order to give him a practical demonstration, as far as I could, of the sales technique that we had been discussing.

Q. Did you have any further discussions with Mr. Holquin at this time?

A. Well, the only discussion that I can recall at this time is again recommending that a man be appointed on a full time basis.

Q. Do you know whether that was ever done during the period with which you are familiar?

A. No. The appointment was never made on a full time basis.

Q. Did you request any assistance from Lima in securing the appointment of this Mr. Jiminez on a full time basis?

A. Yes. I took the matter up with Captain Harris, but nothing resulted.

* * * * * * *

Q. What did you find out about what was being done by the Guayaquil Agencies with respect to Mr. Jiminez' express solicitation?

A. I made several trips to Guayaquil in 1936 and 1937, and on almost all of these trips he, Jiminez, complained to me that both Mr. Holquin and Mr. Ararte had been talking to him regarding his very new activities in the promotion of air express. He told me Mr. Ararte had recommended him—I believe there was some relationship between the two—that if he wished to progress within the agency, he had better pay more attention to the general interests of that agency instead of dedicating his time only to Pan American-Grace affairs.

Q. Did you take that matter up with the manager of the agency? Tell us who he was, please.

A. The manager was Mr. Holquin at one time and Mr. Kolditz at another. I discussed minor—some things with one and some things with the other.

Q. I am referring to the matter to which you just referred.

[fol. 1453] A. Yes, I took that up with Mr. Kolditz.

Q. What happened?

A. And he told me that I must understand—well, in the first place, he called in Mr. Ararte and asked him if the conversation that I had reported to him was accurate, and Mr. Ararte agreed that it was, and that the indications made to Jiminez had been made on Mr. Kolditz' own instructions. Mr. Kolditz then told me that I must understand that he was responsible for the over-all interests of the Grace agency in Guayaquil, and that it was his duty to protect the major interests in that agency. He told me then what Mr. Holquin had said to be more or less in the same words on a previous occasion, that whereas the Grace Line was 100 percent owned, Pan American-Grace was only a 50 percent interest.

He went on to tell me that, with regard to the two interests of Pan American-Grace and Grace Line, even if you consider that matter purely from the standpoint of the local agency rather than from any possible reaction in his headquarters, he has to give preference to the Grace Line, as that turned in a very heavy volume of business for his particular agency.

Q. What did you say?

A. Well, I told Mr. Kolditz that I was going to take the matter up with my superiors. The discussion was quite heated—that particular discussion was quite heated, and Mr. Kolditz replied that he also was going to take the matter up with his superiors, and that he felt that he could have the full support of his head office since all he was doing was looking out for the major interests of W. R. Grace and Company.

Q. Did you report the conversation to your superiors?

A. Yes, I did. Either to Mr. Van Law or Mr. G. P. Smith.

Q. Can you recall which?

A. No, I can't. I had more contact with Mr. George Smith on matters relating to Northern Division, so my recollection would be it would be Mr. Smith.

[fol. 1454] Q. What happened with respect to this air express solicitation after the incident that you have just described?

A. Well, it continued on the same basis it had previously, that is to say, he—that is Jiminez—devoted part of his

time, whatever time he could spare, to air express solicitation.

Q. Under the practice that was prevailing at that time, could you correspond directly with Mr. Jiminez on air express solicitation?

A. No, I could not. All correspondence had to be addressed to the Guayaquil Agencies Co.

Q. Do you know whether or not Mr. Jiminez' employment was subsequently terminated?

A. Yes, it was.

pp. 2569-74:

Q. In January of 1936 were you involved in an incident with respect to the securing of gold shipments from Guayaquil for Pan American-Grace?

A. Yes, I was.

Q. Did you secure that business?

A. I did.

Q. And from whom, please?

A. The Central Bank of Ecuador.

Q. Do you know who had transported that type of cargo previously?

A. The Grace Line.

Q. Tell us, please, how you went about securing the business.

A. In the fall of 1935, George P. Smith and I had become interested in the movement of treasury shipments out of Colombia and Ecuador. Platinum shipments, gold shipments were moving out of Colombia and we had indications that some of these shipments were also moving out of Ecuador. We discussed the matter and decided that due to the manner in which our rate structure was set up, we could not compete with the Grace Line on certain types —the more important types of shipments. The Grace Line freight rates were based on the value of the shipment and went down as the value of the shipment increased.

[fol. 1455]

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Q. Just to clarify this, Mr. Sinclair, is it your understanding that the rates on gold at that time were a certain

percentage of the dollar value of the shipment—or of the value, perhaps not dollar value?

A. Yes, that was the basis.

Q. And the percentage decreased as the value of the shipment increased?

A. That is right.

Q. You didn't mean to imply that gold did not move on a higher rate than nitrates or something of that sort?

A. Oh, no.

Q. Now, will you get back and tell us what you and Mr. Smith discussed?

A. The Pan American-Grace rate was a composite rate made up of a weight charge, a valuation charge, and an insurance charge. The net rates resulting from the two different types of transportation meant that we could compete—that is to say, Pan American-Grace—on shipments of relatively small value for that type of shipment, but we could not compete with the higher valued shipments which were the ones that were being moved by these big organizations. After discussing the matter further, Mr. Smith and I decided that we would have to have a sliding scale ourselves, and we suggested—we decided, rather,—that this should be more or less on the basis of our CDC passenger contract. We made recommendations along those lines to Mr. Van Law who was our general traffic manager, and he passed on those recommendations with a copy to us—he passed on those recommendations in New York with a copy to us in Cristobal.

* * * * * * *

Q. Now, at about this time, did you learn of this gold traffic from the Central Bank of Ecuador?

A. Yes. Mr. George P. Smith had received a letter to the effect that the Central Bank of Ecuador was contemplating the movement of heavy bullion shipments, and he [fol. 1456] instructed me to go down to Guayaquil and see what I could do about it.

Q. What did you find out when you got—did you go to Guayaquil?

A. Yes, I went to Guayaquil.

Q. What did you find out when you got there?

A. When I got to Guayaquil I found that the decision on the matter rested with the director general of the bank whose headquarters was at Quito, not at Guayaquil.

Q. What did you do then?

A. I proceeded immediately to Quito.

Q. Did you receive any communication from Mr. Smith while you were there?

A. Yes. Before I left Cristobal it had not been decided yet whether our recommendations in regard to a sliding scale would be adopted, and while I was up in Quito, I received wires from Mr. George P. Smith telling me that I was authorized to close a contract with the Central Bank of Ecuador providing for certain discounts, depending upon the volume of business that the bank might give us within a year. In addition to that, he informed me that I was also authorized, if I found it necessary, to offer the bank a 30-cent per hundred dollars insurance premium rate instead of the 35-cent rate that was in effect at that time.

Q. Did you close the deal with the bank?

A. Yes. Early in February I closed the deal with the bank, and for the purpose of closing the deal I only used the 5-cent differential in insurance premiums. I made no use of any other sliding scale discount. Shortly thereafter, of course, the first shipment of gold on Pan American-Grace left from Guayaquil to the United States.

Q. Did you have any discussions thereafter with the manager of Guayaquil Agencies?

A. Yes.

Q. Tell us what they were.

[fol. 1457] A. Well, it was almost immediately after I had closed this deal. I went in to see Mr. Holquin to inform him of the deal in question and discuss other things in general, and then he told me that he believed that I should abstain from soliciting this type of business and in fact all types of business that was potential cargo for the Grace Line and that I should restrict my efforts to the soliciting of such types of merchandise as were susceptible of transportation on parcel post service or some other similar service.

Q. Did you, after this episode, execute any other contracts giving shippers either in Ecuador or elsewhere in the Northern Division the benefit of this 30 cent insurance rate?

A. No. Shortly after that deal was closed with the Central Bank our authorization to grant any discounts was cancelled.

* * * * * * *

Q. Do you know whether the Grace Line reduced its rates on treasury shipments after you had secured this gold business from the Central Bank of Ecuador?

A. Yes. I learned of that.

TESTIMONY OF MR. PATCHIN IN CAB DOCKET 779 WHICH THE GOVERNMENT INTENDS TO OFFER INTO EVIDENCE

I

Division of Territory

By Mr. Friendly:

pp. 3118-20:

Q. I would like to have you look at Exhibit PG-2, Page 3.

(Off the record.)

Q. I am referring to the paragraph which starts, "Mr. Roig made a statement".

A. Yes.

Q. You were present at that meeting?

A. I believe so, according to the minutes.

[fol. 1458] Q. And you heard Mr. Roig make a statement substantially as outlined there?

A. I assume I did. It is here recorded. I have no very close recollection of it.

Q. You don't recall expressing any dissent from it, Mr. Patchin?

A. No, I do not.

Q. I would like to address your attention to the portion of the statement reading:

"Pan American Airways, Inc., have an undoubted right to extend their service to Buenos Aires and to operate in the Argentine except between Buenos Aires and Mendoza," the "except" clause being in parenthesis, "if they desire."

What was the reason why Pan American did not have a right to operate between Buenos Aires and Mendoza?

A. Well, I think that arose out of a sort of general understanding developed when Pan American came down the east coast. They were interested in the east coast and we were not.

Q. What about Pan American's operating to Santiago? Why couldn't they do that?

A. Well, their mail contract didn't go to Santiago.

Q. Mr. Roig here was not talking about mail contracts: he was talking about the company's right to extend its services to Buenos Aires and to operate in the Argentine except between Buenos Aires and Mendoza.

You assented to that, and I wonder why Pan American didn't have a right to operate between Buenos Aires and Mendoza.

A. I think it was derived from a gradual acceptance of the idea of the east coast and west coast.

Q. How did that work out?

A. How did it what?

Q. How did it bear on this controversy? Buenos Aires and Mendoza were certainly east coast—

[fol. 1459] A. (interposing). I don't recollect, Mr. Friendly, just what was the reason for that language being in there.

Q. You are sure, however, that it doesn't indicate there was any agreement as to what territory Pan American-Grace should operate in and what Pan American should operate in?

A. Well, I think there was a sort of general understanding with regard to this operation in Argentina: that Panagra would go to Buenos Aires and that the Pan American would not operate on the same route.

Q. When was that understanding reached?

A. I don't know of any specific understanding on that, or whether it became a general acceptance.

II

Pan American-Panagra Competition

By Mr. Cahill:

pp. 3086-91:

Q. I want to turn to a different subject, Mr. Patchin. I want to ask you whether Mr. Trippe assured Panagra that he would not ask the Post Office Department to reduce the number of trips to Buenos Aires made by Panagra.

A. There was correspondence which I think is in the minutes of the Panagra—

Mr. Reynolds: Can we have more definitely the time to which you refer?

Mr. Cahill: Yes, I am going to ask him to fix the time, Mr. Reynolds.

A. I don't recall the date of the meeting, but in 1931, when Pan American, having extended operations on the east coast to Santos, wanted to go to Buenos Aires, there was apparently an insufficiency of funds—

By Mr. Cahill:

Q. (Interposing) In the Post Office Department?

A. In the Post Office Department.

[fol. 1460] (Continuing) —and Mr. Trippe had given us assurance in letters that I believe are in the minutes that Pan American would not seek to have those taken away from the west coast route by reason of suspending a trip or requiring a trip to be run without pay, and we accepted that assurance.

By Mr. Cahill:

Q. Do you know what Mr. Trippe did after giving you that assurance?

Mr. Friendly: I am going to ask the witness to confine himself to matters that he knows of his own personal knowledge on that.

Examiner Brown: I think that would be proper.

Mr. Friendly: No questions were asked of Mr. Trippe on this subject.

By Mr. Cahill:

Q. Did you have conversations with anybody about how Mr. Trippe or what Mr. Trippe did after he gave this assurance?

Mr. Friendly: I am going to object to that.
Mr. Reynolds: Let's find who it was with. Maybe it was with Mr. Trippe.
Mr. Friendly: Oh, yes, of course.

By Mr. Cahill:

Q. Did you have conversations with anybody?
A. Yes.
Q. With whom?
A. Well, after this time—

Mr. Friendly: The question was: with whom? I think that can be answered directly.

A. I had a conversation on the subject with the Second Assistant Postmaster General, Mr. Glover. I called on him one day—

Mr. Friendly: That is an answer, I think.

A. (Continuing) —and we were—

Mr. Friendly: Just a moment.

[fol. 1461] By Mr. Cahill:

Q. Tell us what the conversation was that you had with the Second Assistant Postmaster General, Mr. Glover, on the subject?

Mr. Friendly: I object to that.
Examiner Brown: I will permit the answer.

A. I called on him, the insufficiency of appropriations to go all the way around was a very important problem, and I called on him and asked him what was developing in that situation, and he said Mr. Trippe and Mr. McCracken, who had been, I believe, a lawyer for Nyrba, and was retained by Pan American, had been in to see him and had sug-

gested that one trip—that pay for one trip a week from Santiago to Buenos Aires be discontinued, so that it would help out the Pan American operation south of Santos on the east coast.

By Mr. Cahill:

Q. That is, the pay for one of the Panagra trips?

A. Yes.

Q. Be eliminated?

A. Be applied there—yes, be eliminated on the Santiago-Buenos Aires.

Q. For the purpose that you mentioned?

A. And I asked him what attitude he had taken, and he said he had asked them what the attitude of the Grace directors was on this matter, and he said, well, this was a matter for the Post Office Department to determine.

Q. Who said that?

A. Mr. Glover said—no, Mr. Trippe said, in reply to Mr Glover's question, that this was a matter for the Post Office Department to determine for itself, and Mr. Glover told me that he stated to them that he didn't think he should do this unless the Grace directors should concur in it, and if they did and came down to talk to him about it, he would see what could be done.

[fol. 1462] Q. Did you have conversation with Mr. Trippe about his attitude?

A. Well, subsequently at a directors meeting I mentioned to him this fact and reproached him with it, and he denied it in a mild way.

* * * * * * *

Q. Did Mr. Trippe at any time refer to hundred percent interests in companies versus 50 percent interests in companies?

* * * * * * *

A. Early in 1930 the Post Office Appropriation Bill was taking its usual course through the Appropriations Committees and the House of Congress, and there was great pressure to get additional appropriations so service could be enlarged at different points, including particularly the east coast of South America. I followed the thing with close

interest and found that there was an idea in the minds of some of the people in the Appropriations Committee that, in order to get to Buenos Aires you had to have a service down the east coast, although we were already reaching Buenos Aires via the west coast. It was a natural assumption that Argentina being on the east coast was naturally reached via the east coast, although the air route via the west coast was substantially shorter in mileage, and I made it my business to correct this mistaken idea and to bring to the attention of those dealing with the appropriations the fact that the route coming from Miami through Cuba, the Canal, down the west coast, and then over the mountains to Buenos Aires served a very large number of countries constituting a very large proportion of the total commerce between Latin America and the United States, and this was the route that ought to get an increase of service to at least two trips a week, and at one stage of that effort, I had a conversation with Mr. Trippe in Washington in which I sought more effort to the same extent—to the same end on his part, and in the course of this conversation he remarked, "Well, you don't expect that I would be as much interested where I have only a 50 percent as where I may have a hundred percent interest in the operating company."

[fol. 1463]

TESTIMONY OF MR. GARNI IN CAB DOCKET 779 WHICH THE GOVERNMENT INTENDS TO OFFER INTO EVIDENCE

I

Division of Territory

By Mr. Cahill:

pp. 3162-64:

Q. Did you have discussions with Mr. Trippe about the proposed diversion to Cali in which Mr. Trippe stated the basis for his opposition to Panagra operating into Colombia?

A. I did.

Q. Will you fix the date of those conversations, Mr. Garni?

A. I can't give the date, but it unquestionably preceded the inauguration of the trip via Cali.

Q. Will you tell us what the conversation was? What did Mr. Trippe say?

Mr. Friendly: Do I understand these were conversations before the inauguration of any service into Cali?

The Witness: That is my recollection, yes.

By Mr. Cahill:

Q. What did Mr. Trippe say was the basis of his opposition?

A. As I recall it, Mr. Trippe's principal objection was based on the loss of revenue to the subsidiary companies in Colombia in which Panair was interested—Scadta and I believe also UMCA—by taking passengers to Cali, and he was fearful at that time that by-passing Medellin might not please the Colombian Government, and we would eventually be forced to take passengers to Medellin and possibly Turbo.

Q. Now, did you have conversations with Mr. Trippe about operations to Medellin and Turbo?

A. Yes. We told him, "Now, of course, if the Colombian Government should force us to stop in Medellin, discharging and taking on passengers, we couldn't very well go against their wishes, but we would try not to stop in Medellin for the purpose of carrying passengers as long as possible."

[fol. 1464] Q. Was anything said by Mr. Trippe as to what he wanted to do if the Government of Colombia did require stops at Medellin and Turbo by Panagra?

A. Yes. I remember a discussion we had in the presence of Mr. Roig—in fact, in most of these discussions Mr. Roig was present—and I think Mr. Trippe suggested that in the event of our being forced to take passengers to either of those two points, 75 percent of the gross revenue should be turned over to the Colombian subsidiaries who lose that revenue.

Q. And they were?

A. 75 percent.

Q. And those subsidiaries were by name—?

A. Scadta, and I think UMCA was involved in some way. In those days UMCA I think operated from Panama as far as Medellin.

Q. Did you ever agree that Medellin and Turbo were east coast cities or were in Pan American's territory, so-called?

A. I never did, no.

By Mr. Friendly:

pp. 3196-98:

Q. I would now like you to look at this exchange of cablegrams which is Exhibit PC-37, more particularly to your cablegram of November 17, 1936, to Mr. Roig, and still more particularly to the words commencing with word 61 and continuing through word 75.

Mr. Cahill: Let the witness read the whole thing.

Examiner Brown: Surely, if he wishes.

Mr. Friendly: No objection.

Mr. Cahill: Are you on the same point that you were on, Mr. Friendly?

Mr. Friendly: I am not stating what point I am on.

Mr. Cahill: I am just trying to identify these 10 words that have been picked out of the telegram, that is all.

[fol. 1465] By Mr. Friendly:

Q. Have you read all you wished to, Mr. Garni?

A. I think the words you pointed out were 61 to 75.

Q. Yes, but feel free to read anything else that you want.

A. Yes, I have read it.

Q. Now, what do you mean by the words "Distinctly well within Panagra territory"? That is your words 65 to 69.

A. Just as it says. I never considered that Cali was on the east coast of South America or not in Panagra's territory on the west coast.

Q. What did you consider Panagra's territory was?

A. At that time?

Q. Yes.

A. Part of their territory certainly was from Pan American south.

Q. You say that was part of their territory?

A. Yes.

Mr. Cahill: That was the answer.

By Mr. Friendly:

Q. What was the rest of their territory?

A. Wherever else they might go, subsequently, for instance, Panama to Miami.

Q. But not Panama to the east coast?

A. Panama to where?

Q. To the east coast?

A. No. I shouldn't think so.

II

Grace Line-Panagra Competition

By Mr. Friendly:

p. 3189:

Q. Grace Line and Pan American-Grace, in normal times, are both interested in getting passenger business to the west coast, are they not?

A. Yes.

[fol. 1466]

TESTIMONY OF MR. COGSWELL IN CAB DOCKET 779 WHICH THE GOVERNMENT INTENDS TO OFFER INTO EVIDENCE

I

Division of Territory

By Mr. Reynolds:

pp. 3306-07:

Q. Mr. Cogswell, if you will turn to Page 46 of P-34 the letter of August 31, 1928.

A. Yes, I have it.

Q. You will note, as this letter is reproduced in exhibit form, it does not indicate who signed it, other than the title of assistant secretary. This letter was signed by you, was it?

A. That is right.

Q. And were you a party to the discussions which led up to the propositions set forth in this letter, Mr. Cogswell?

A. Not most of them. I was in on some of the discussions but not most of the discussions, no.

Q. How did you happen to be selected to write the letter?

A. Well, just as a lawyer, I guess.

Q. At the request of whom?

A. I don't remember. Someone in our office. Perhaps Mr. Roig, perhaps Mr. Garni.

Q. Mr. Iglehart?

A. I rather doubt it.

Q. At the time when you drafted this letter had you had discussions with anyone in which you learned it was the intention of either Grace or Pan American to restrict the operations of the proposed new venture in such a manner that they would never go elsewhere than between the Panama Canal and Valparaiso, Chile?

A. No.

Q. Were there any discussions, regarding the subject of confining the company's operations, of any nature, Mr. Cogswell?

A. Not to my recollection.

p. 3313:

[fol. 1467] Q. At the time when that charter was drafted were there any discussions as to whether the scope of the operations of Panagra were to be other than those actually set forth in the charter?

A. Not that I can recall, no.

Q. When is the first time that you ever heard of Pan American's theory that the original agreement, a part of which is founded upon the letter of August 31, 1928, restricted the operations of Pan American-Grace in so far as territory is concerned?

A. Mr. Reynolds, I think that was sometime in 1938, but I couldn't place it exactly.

Q. You have no recollection of ever having heard it before?

A. No.

Q. Not in connection with any other extensions, Mr. Cogswell?

A. No.

II

Grace Control

By Mr. Friendly:

pp. 3334-36:

Q. Do you recall being interrogated at the time of the hearing of Mr. Garni for approval—

A. (interposing) Yes, I—

Mr. Friendly (interposing): Just a minute. Let me finish my question.

By Mr. Friendly:

Q. (continuing) —for approval of his application to become a director of Eastern Airlines?

A. Yes. I was interrogated by Mr. Sam Gates.

Q. I want to read you a few questions from that:

"Question: Is it customary for the directors of Panagra who are the representatives of Pan American Airways to take no stand upon any issue which is brought to the attention of that particular group except with the approval of Pan American Airways Corporation?

[fol. 1468] "Answer: I wouldn't know, but I should judge on a matter of policy they would want the approval of their board; on other matters maybe not large they probably would not take any action they thought was contrary to the wishes of their board.

"Answer: I do not think the directors of Panagra who represent W. R. Grace and Company would take a position they thought was contrary to the wishes of the board of directors of W. R. Grace and Company. There are many matters, however, which come up

which would not be first taken up with the board of directors."

You remember being asked those questions and giving those answers, do you not?

Mr. Cahill: I submit that is circumventing your ruling as to the questions being highly speculative, Mr. Examiner.

Examiner Brown: Answer the question, please, Mr. Cogswell.

A. Yes, I remember giving that testimony.

[fol. 1471]

Government's Exhibit 1122

In the United States District Court

For the Southern District of New York

Civil Action No. 90-259

United States of America, Plaintiff,

v.

Pan American World Airways, Inc., W. R. Grace and Company, and Pan American-Grace Airways, Inc., Defendants.

Before The Honorable Thomas F. Murphy, District Judge

EXCERPTS FROM TESTIMONY OF JUAN TRIPPE IN C.A.B. DOCKET 3589

[fol. 1472]

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 90-259

UNITED STATES OF AMERICA, Plaintiff,

v.

PAN AMERICAN WORLD AIRWAYS, INC., W. R. GRACE AND COMPANY, and PAN AMERICAN-GRACE AIRWAYS, INC., Defendants.

TESTIMONY OF MR. TRIPPE IN CAB DOCKET 3589

By Mr. Harlan:

pp. 1270-88:

Q. Now, as a part of your agreement with W. R. Grace & Company, wasn't it agreed that the territory in South America would be divided between Pan American and Panagra?

A. Not that I know of. There was a contract executed with W. R. Grace in which Grace was given an opportunity to purchase not to exceed 50 per cent in the airline that we had under way to extend from the Canal Zone down the West Coast of South America. They did have the opportunity, over a period of time, to increase their interest in that airline up to 50 per cent, and the area which that airline was to operate in was outlined. But there was no other agreement that I know of.

Q. Wasn't it agreed that Panagra would operate on the Coast of South America and that Pan American would not?

A. Not that I know of. There was a specific agreement which could easily be made a part of this record if you wish to have it.

Q. Let me ask you if you didn't, on April 8, 1931, write a letter to Pan American-Grace Airways, Attention Mr. John D. McGregor, Vice President and General Manager, in which you stated the following:

[fol. 1473] "The arrangement between Aviation Corporation of America and W. R. Grace & Company, as a result of which your company was formed, contemplated that the sphere of operation of your company should be confined to the West Coast of South America."

Examiner Wrenn: What exhibit number was that in the Panagra Terminal Case?

Mr. Harlan: P-37, page 35.

Examiner Wrenn: If you want the contract in here, that was agreed to between them, Mr. Harlan, why don't you offer it?

Mr. Harlan: I don't believe, Mr. Examiner, that the contract itself shows that agreement, but in the record in that case it is quite clear that there was such an agreement and Mr. Trippe himself so testified at that time.

Examiner Wrenn: Was that your testimony, Mr. Trippe?

The Witness: Not that I recall. I refer again to the agreement between the two companies, and that is the only agreement that I know of. The letter to which you have just referred is a letter addressed to the executive head of Pan American-Grace Airways, of which we are 50 per cent stockholders.

• • • • • • • •

Q. Mr. Trippe, I want to ask you if you did not testify in the proceeding under Docket 779 that there was an agreement that Pan American should not operate down the West Coast of South America, and that Panagra should confine its activities to the West Coast of South America?

A. Mr. Harlan, to the best of my recollection, there was no agreement or understanding or anything else, other than the one I have referred to with W. R. Grace & Company.

Q. Mr. Trippe, I call your attention to this testimony of yours which appeared at page 1526 of the transcript in Docket 779, under questioning by Mr. Friendly:

The question by Mr. Friendly was: "In conducting the [fol. 1474] affairs of Pan American, have you proceeded on the basis that the letter of August 31, 1928, has imposed on Pan American an obligation not to operate down the West Coast of South America?"

I might say there that there was considerable objection to that question at that time, but it finally was answered. The first answer was:

"We have felt so, yes."

Then the second answer to the same question, which appears at page 1528, is:

"We have."

Did you so testify in that case?

A. I did if you are reading from the record. I haven't a copy of the record before me. The letter to which you refer is the same letter, I gather, that I have mentioned just a few minutes ago, the letter between Pan American and W. R. Grace & Company.

Q. You don't dispute that that was your testimony in that case, Mr. Trippe?

A. Not at all if you are reading from the record of the hearing.

Q. Now, I would like to ask you if you didn't testify, in the same case, at pages 2228 and following, as follows, under questioning by Public Counsel:

"Question: Mr. Trippe, I believe that the record indicates so far that under the original 1928 agreement and the discussions that led up to it, the contemplation was that territories would be divided in terms of East Coast and West Coast, with the exception of Panagra operation to Buenos Aires. That is generally correct, is it not?"

Your answer was: "I don't believe so."

"Mr. Friendly: I don't believe the question was what the record indicates or what Mr. Trippe thinks.

"Mr. Reynolds: The question is what Mr. Trippe thinks, in any event.

"Answer: My understanding is that the territory reserved for the joint company was the West Coast of South America, including, in so far as Colombia was concerned, [fol. 1475] the West Coast of Colombia, and that the interior and North Coast of Colombia were reserved for Pan American.

"Question by Mr. Reynolds: And south of Colombia, the West Coast of South America was reserved for the joint company of Panagra?

"Answer: That is correct.

"Question: With the exception of the operation across the Andes to Buenos Aires?

"Answer: Which was agreed to at a later date."

Did you so testify in that case?

A. If you are reading from the record, I did. Perhaps, Mr. Harlan, I could clarify the point you have in mind by pointing out that Pan American had operated between the United States and the Canal Zone and was seeking to extend its service down the West Coast. We had limited capital we had no ability to secure the rights in Peru, and, we felt, Chile, that would be required to extend the American flag service down the West Coast and ultimately across the Andes to Buenos Aires. We had organized a company to effect this operation, and we had offered W. R. Grace & Company an option to buy into that particular company, which was set up to operate a specific route, if they felt, and they had an opportunity to look at the air business, that it would perhaps be a good investment for them.

The background to which I believe you are referring has to do with the agreement between Pan American and W. R. Grace & Company, setting up that company and giving them an opportunity to participate in it if they elected to do so. The route which was to be operated by that company was delineated, and, as I recall—it was many years ago—but my recollection would be that it was from the Canal Zone to Valparaiso, Chile, and the agreement to which you refer permitted that company, of which later on Grace became a stockholder, to extend across the Andes to Buenos Aires. But this so called territorial division that you speak of was simply the route to which that company would [fol. 1476] operate, whether Grace & Company became a 50 per cent stockholder or not. Perhaps that background may be of some help to you.

Q. As a part of your division of territory with Panagra, Mr. Trippe, wasn't it true that there was at least one other company that was involved, and that is SCADTA?

Q. In other words, wasn't there an agreement that SCADTA's operations would be limited to Colombia, and that SCADTA would not be extended into Panagra territory.

Examiner Wrenn: An agreement with whom?

Mr. Harlan: Agreement between Pan American and SCADTA, and I will ask Mr. Trippe also if there was not also an agreement to that effect as to which Panagra was a party.

The Witness: Well, you have asked a number of questions, there, Mr. Harlan. I will answer the latter first. I know of no agreement between Panagra and SCADTA.

* * * * * * *

Q. That is the company that is now known as Avianca, is that correct?

A. That is correct.

Q. Over what period of time did Pan American control that company?

A. Over what period of time?

Q. Yes.

A. From the time of this contract that I refer to, which I believe was dated 1929 until some date just prior to the war, we were majority stockholders, but the contract per se left the complete management of the company in the hands of its directors and management. I believe the period the contract stipulated was ten years. Of course, I have not read this contract for some 15 years, and you will have to excuse me if I do not have all the details in mind.

Q. I would like to direct your attention, Mr. Trippe, to further testimony of yours in Docket 779, beginning at the bottom of page 1604 of the transcript.

[fol. 1477] Examiner Wrenn: Is that still on the subject of this agreement?

Mr. Harlan: Yes.

Examiner Wrenn: Well, do you not have that established? Is it necessary to drag it out any further?

Mr. Harlan: I wanted to get a little of clarification on what I thought was a three-way arrangement, between Pan American, Panagra and SCADTA. I understood Mr.

Trippe to say that he did not think there was such a three-way arrangement and I wanted to clarify this, and if he will explain his testimony, I think that will clear it up.

"Question: Now will you go on and state what position Pan American took in these discussion with regard to the possible extension of SCADTA's operations to Quito. Answer:—"

Mr. Friendly: Can we have it clear what the discussions were? The question as read does not mean anything.

Examiner Wrenn: Suppose you clear it up, Mr. Harlan.

Mr. Harlan: This appears to be a proposal of SCADTA to extend to Quito, somewhere—

Mr. Friendly: Why can't the witness be shown the transcript so he will know what it is all about, instead of having an isolated question, the meaning of which cannot possible be understood?

Examiner Wrenn: I think that is a good idea. Put the transcript in front of him, Mr. Harlan, and let him see it.

Mr. Harlan: I will be glad to.

Examiner Wrenn: No go ahead with your question.

By Mr. Harlan:

Q. After looking at that, Mr. Trippe, would you care to state what the understanding was as between Pan American, Grace and SCADTA?

A. Well, I believe, Mr. Harlan, I have already answered that question. I have tried to. The agreement with Grace was this contract relating to the organization of Pan American-Grace, to which I have referred. It outlined the area and route over which that company would operate, whether [fol. 1478] Grace became a stockholder, or a large stockholder, or not.

The agreement with SCADTA, now Avianca, was made a great many years ago. I have attempted already to outline the general provisions of that agreement, and as I say, I know of no agreement between Pan American-Grace and SCADTA, or any agreement between Grace and Pan American other than the one I have referred to.

Q. Wasn't your understanding of the agreement between Pan American and Grace that SCADTA should not be extended into Panagra's territory?

A. No, our agreement with Grace is definitive. We outlined the route on which we were going to extend the Pan American system down the West Coast of South America and we gave them an option, if they saw fit, to participate, for a period of time, not to exceed over fifty percent of that company. That is the agreement with Grace. I have already referred to the agreement with SCADTA which contemplated that the Ex-German Nationals that were pilots of that company would not operate beyond the borders of Colombia. We felt that the management of SCADTA should adhere to the commitments they had made, and which our government approved before they were made.

Q. But you did feel, and you so stated in this testimony which you have just looked at, that an extension of SCADTA, a Pan American controlled company, to Quito, would be a violation of the agreement between Pan American and Pan American-Grace and Company, is that correct?

A. No, it is not correct, because I do not believe during that period SCADTA was a Pan American controlled company. Under the agreement the management of the company was to be left to its overseers, and the agreement contemplated that the service would operate within Colombia. We did say that if that agreement was broken, that we had no other recourse but to sell our stock, which we were prepared to do.

Q. Will you explain this testimony, then? This is from page 1605 of the transcript in Docket 779: "Question: Did [fol. 1479] the Grace representatives take the position that if Pan American, as owner of a majority of the stock of SCADTA, permitted that company to extend its lines into Ecuador, that would constitute a breach of the agreement between Grace and Pan American? Answer: They did, and we agreed with them." Will you explain that?

A. Well, I have tried to do that, Mr. Harlan. As I say, the agreement that was had with SCADTA contemplated that SCADTA would operate within the territorial limits of Colombia for a period, I think, of ten years, and that was the agreement that we felt, and high policy officials of our government felt was in the interests of this country that it be consummated.

If SCADTA was to go to a neighbor and operate internationally, we felt that that was not in line with the agreement that they had made, and yet we had no recourse. They were a Colombian company, they had a Colombian board of directors, they told us at that time, as I recall it, that the Colombian government was insisting that they extend abroad, and obviously we had no other recourse but to dispose of our stock, which we were prepared to do.

* * * * * * * *

Q. Mr. Trippe, as I recall, the question I asked was this: You stated that you felt that an extension by SCADTA into Ecuador would be a violation of its agreement with Pan American.

A. The agreement we had with the SCADTA organization to which I have referred, sometime ago, yes, that is correct, Mr. Harlan.

Q. Didn't you also take the position that such an extension would be a violation of the agreement between Pan American and Grace?

A. The only agreement that I know of is the one that relates to the setting up of Pan American-Grace Airways. The route to be operated by that company as an extension of the Pan American services between the United States and the zone was defined, Mr. Harlan, and we felt that after Grace had exercised its option and became a large stock-[fol. 1480] holder in that enterprise that obviously we wouldn't want to run directly into that territory. And that I gather is the point you were referring to.

Q. And that that understanding or wish that Pan American would not run into Panagra's territory would apply also to SCADTA which was controlled by Pan American.

A. Well SCADTA wasn't controlled by Pan American, as I have mentioned. The Columbian Government, we were so advised at the time, wanted that company to extend to Ecuador, and we told Mr. Grace that all we could do about it was to dispose of our stock, which we were prepared to do, but we couldn't control what that company did.

* * * * * * * *

Q. Now with respect to Argentina, wasn't there an agreement between Pan American with Grace and Company as to

division of territory for purposes of operation to and from Argentina and through Argentina?

A. No, Mr. Harlan. I think perhaps what you are referring to is the original agreement between Pan American and Grace and Company, and secondly, the agreement whereby Pan American and Grace agreed to extend Pan American-Grace across the Andes to Buenos Aires. The route to be followed by Pan American-Grace was outlined in that arrangement.

Q. Perhaps the best way to get at that would be to show you Exhibit P-157 in Docket 779, which appears to be a cablegram signed by you, addressed to Pan American Airways in Buenos Aires.

Mr. Westwood: What is the date of that cablegram?

Mr. Harlan: September 13, 1930.

The Witness: I have read that, yes, sir.

By Mr. Harlan:

Q. Did you send that cablegram?

A. I don't recall sending it, but if my name is on it, I probably did. The date of it is September 13, 1930. That is some 19 years ago and I frankly don't remember the cablegram at all.

* * * * * * *

[fol. 1481] Examiner Wrenn: Read it into the record.

Mr. Harlan: All right. This is headed Cablegram to Buenos Aires, Argentina, and then in parentheses, under that (in confidential code) dated September 13, 1930, addressed to Pan Air, Buenos Aires, Argentina "208: It is reported Alas has made several trips Santiago stop assume flights made in connection cancellation Nyrba Uruguay Argentine mail contracts to Chile stop confirming previous advices agreement between Pan American Airways and Pan American-Grace Airways prohibits Pan American Airways or Alas operating Buenos Aires, Mendoza, Santiago line although permitted operate any other routes east of Andes including Buenos Aires, Montevideo stop agreement likewise restricts Pan American-Grace Airways operations east of Andes to Santiago, Mendoza, Buenos Aires, Monte-

video line, confirm receipt" signed "Trippe" and the note is "This wire sent at telephonic request of Mr. Cogswell and cleared through him before sending." Carbon copies are noted to Messrs. Trippe, Wyman, Rihle, Thach, Young, McGreggor, Woodridge.

By Mr. Harlan:

Q. Just for purposes of clarification, Mr. Trippe, who was Mr. Cogswell?

A. He was an official of W. R. Grace and Company, I believe.

Q. And what is referred to here, in the expression, "Alas"?

A. I haven't any idea. It might be the name of an air line, or some other company. I haven't any idea what that refers to.

Q. Isn't it true that that was Pan American's subsidiary in Argentina?

A. Not that I recall, no. From reading that telegram it might have been some associated company of the New York, Rio and Buenos Aires Airline. I don't know.

• • • • • • •

Q. Mr. Trippe, about 1937, didn't you enter into an agreement with Grace to the effect that Panagra would not serve Medellin?

[fol. 1482] A. Not that I recall. We may have. Medellin is a city in Colombia. Is that Medellin you have reference to?

Q. Yes.

A. Served by an American Flag subsidiary of Pan American, between the Canal Zone and Medellin.

Q. Do you recall a discussion with W. R. Grace and Company as to whether Panagra could serve Medellin or not?

A. I don't recall any now.

pp. 1293-94:

Q. Mr. Trippe, does Pan American have an agreement with W. R. Grace and Panagra to the effect that Pan American has the right to fix Panagra's rates and fares?

A. Not that I know of.

Mr. Harlan: Now, Mr. Examiner, there is a letter, which is Public Counsel's Exhibit 56 in Docket 779, in which Mr. Trippe—

Mr. Friendly: What is the date of that letter?

Mr. Harlan: The date of the letter is March 10, 1930. And there is also a reply letter dated March 14, 1930, from Mr. McGregor to Mr. Trippe. The first letter, if I didn't state it, was signed by Mr. Trippe. The second letter is Public Counsel's Exhibit 57 in Docket 779.

These letters, as I interpret them, constitute an agreement—

Examiner Wrenn: Well, submit them along with the other material you are going to reproduce as exhibits.

Mr. Harlan: Is that agreeable, Mr. Friendly?

Mr. Friendly: May I see them?

Mr. Harlan: Surely.

Mr. Friendly: I have no objection. They do not remotely support the inference that is supposed to made for them, and they are 19 years old. But I have no objection to having them in.

Examiner Wrenn: Submit them along with your other exhibits. Let's go to your next incident.

[fol. 1483] Mr. Harlan: I believe, Mr. Examiner, I had better show these to Mr. Trippe and ask him if he knows if they have ever been cancelled, or whether the agreement reflected in those letters has ever been cancelled.

The Witness: Yes, I have read this letter of March 10, 1930. Now, what is your question, please?

By Mr. Harlan:

Q. Do you know whether the agreement reflected in that letter and in the reply letter of Mr. McGregor has ever been cancelled?

A. Well, the management of Pan American-Grace Airways is vested in the nominee of W. R. Grace & Company under an arrangement approved by the Board, I believe, some years ago. Obviously, that new arrangement would cancel out any previous matters of that type. I don't recall this letter. All I can say is that at the present time the management of Pan American-Grace Airways is in the

hands of Mr. Roig, president of that company, and he initiates and submits to the board of directors all matters having to do with the items that are outlined in that letter.

p. 1296:

Q. Mr. Trippe, isn't it still true that Panagra's rates and fares are filed by a Pan American employee—the Panagra tariffs?

A. They may be. We are general agents in the United States of Pan American-World Airways, but the management of that company has entirely to do with the initiation and planning of their fare structure, just as all other policy questions.

[fol. 1485]

GOVERNMENT'S EXHIBIT 1123

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 90-259

UNITED STATES OF AMERICA, Plaintiff,

v.

PAN AMERICAN WORLD AIRWAYS, INC., W. R. GRACE AND COMPANY, and PAN AMERICAN-GRACE AIRWAYS, INC., Defendants.

STIPULATION WITH RESPECT TO CAPACITY AND SERVICE OF VARIOUS DIRECTORS, OFFICERS AND EMPLOYEES OF DEFENDANTS

The United States of America and the defendants, Pan American World Airways, Inc., W. R. Grace and Company and Pan American-Grace Airways, Inc., by their attorneys, hereby stipulate and agree that the following persons occupied the positions, among others, as listed with each respective defendant:

Pan American World Airways, Inc.

Erwin Balluder

Vice President, Pan American—1946 to date
Director, Panagra—1944- to date

V. E. Chenea

Vice President and General Traffic Manager, Pan American—1940-1947

Howard B. Dean

Assistant Vice President, Pan American—1943
Vice President, Pan American—1943-1950
Director, Panagra—1943-1950
Vice President, Panagra—1944-1950

Henry J. Friendly

Vice President and General Counsel, Pan American—1946 to date
Director, Pan American—1946 to date
Director, Panagra—1944-1945—1947 to date

[fol. 1486] Richard F. Hoyt

Director, Pan American—1927-1935
Chairman of Board of Directors, Pan American—1928-1931
Director, Panagra—1929-1933

Wilbur L. Morrison

Executive Vice President-Latin American Division, Pan American—1944 to date
Director, Panagra—1949 to date

George L. Rihl

Vice President, Pan American—1929-1945
Vice President, Panagra—1935-1944
Director, Panagra—1937-1944

Juan T. Trippe

President, Atlantic, Gulf and Caribbean Airways, Inc.—1927-1928
President, Pan American—1927 to date
Director, Pan American—1927 to date
Vice President, Panagra—1929-1935
Director, Panagra—1929-1943

C. V. Whitney

Board Chairman, Pan American—1931-1942
Director, Pan American—1927-1942

Evan E. Young

Director, Pan American—1944-1946
Vice President, Pan American—1931-1944
Director, Panagra—1933-1944

W. R. Grace and Company

Ernesto Aranibar

Grace Agency, La Paz—1941-1955
Territorial Manager, Bolivia—1944-1955
New York Office, Grace—1955 to date

William F. Cogswell

Assistant Secretary, Grace—1928-1929
Manager, Grace—1929-1942
Secretary, Grace—1946-1956
Vice President, Grace—1942-1958
Secretary, Panagra—1929-1957
Director, Panagra—1929-1946

[fol. 1487] T. G. Elio

Assistant to Manager, Grace Agency, La Paz—1939-1941
In charge Panagra Section of Grace Agency, La Paz—1941 to date

Adolf Garni

Vice President, Grace—1927-1934
First Vice President, Grace—1934-1945
Vice President, Grace—1945-1950
Director, Panagra—1937-1949

J. P. Grace, Jr.

President, Grace—1945 to date

D. S. Iglehart

President, Grace—1929-1945

John D. J. Moore

Apoderado Grace, Lima—1947-1950
Vice President, Grace—1952 to date

Benjamin H. Oehlert, Jr.

Vice President, Grace—1948-1953
Director, Panagra—1949-1953

Robert H. Patchin

Vice President, Grace—1928-1948
3/26/29-9/18/31 DWP
Director, Pan American—~~1928-1930~~ 1929-1931
ERK
Director and Vice President, Panagra—1929-1949

Harold J. Roig

Vice President, Grace—1927-1945
Vice Chairman, Grace—1945-1950
Director, Panagra—1929-1955
President, Panagra—1939-1949

Andrew B. Shea

Sub-Manager, Grace Agency, Lima, Peru—1934-1936
Manager, Grace Agency, Lima, Peru—1936-1939
Vice President, Grace—1939-1950
First Vice President, Grace—1950-1955
Executive Vice President, Grace—1955 to date
President, Panagra—1949 to date
Director, Panagra—1947 to date

Pan American-Grace Airways, Inc.

Edward Bern

Sales Manager, Panagra—1949-1952
Vice President—1952-1956

[fol. 1488] Douglas Campbell

Vice President, Panagra—1939-1948
Vice President and General Manager—1948 to date

Harold H. Harris

Vice President, Peruvian Airways Corporation—1928
Vice President, Panagra—1929-1942

T. J. Kirkland

Vice President, Panagra—1940 to date

J. D. MacGregor

Vice President and General Manager—1929-1939

John Shannon

Vice President, Panagra—1941-1952

James W. Walker

Assistant to Vice President—Operations—1946-1947
Regional Manager of Panagra, Lima, Peru—1947-1952

Dated: New York, New York, ~~May~~ 4, 1959

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of America

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[fol. 1490]

GOVERNMENT'S EXHIBIT 1124

IN THE UNITED STATES DISTRICT COURT

FOR THE SOUTHERN DISTRICT OF NEW YORK

Civil Action No. 90-259

UNITED STATES OF AMERICA, Plaintiff,

v.

PAN AMERICAN WORLD AIRWAYS, INC., W. R. GRACE AND COMPANY, and PAN AMERICAN-GRACE AIRWAYS, INC., Defendants.

STIPULATION

It is hereby stipulated and agreed by and between the United States of America, plaintiff in the above-entitled cause, and Pan American World Airways, Inc. (Pan American), a defendant in the above-entitled cause, that the following facts relating to acquisitions by Pan American of stock, assets or other interests in Panair do Brasil,

New York, Rio and Buenos Aires Line, Inc. (NYRBA), Tri-Motor Safety Airways, NYRBA do Brasil, Sociedad Colombo-Alemana de Transportes Aeras (SCADTA), Aerovias Nacionales de Colombia, S.A. (AVIANCA) and Uraba, Medellin and Central Airways, Inc. (UMCA) are admitted to be true for the purpose of this action; provided however that nothing contained in this stipulation shall prevent either party from introducing evidence relating to such acquisition.

(1) Panair do Brasil, New York, Rio and Buenos Aires Line, Inc., Tri-Motor Safety Airways and NYRBA do Brasil.

The New York, Rio and Buenos Aires Line, Inc. (NYRBA), incorporated on March 17, 1929, acquired all of the stock of Tri-Motor Safety Airways. On March 1, 1930, NYRBA had a route from Miami through the Caribbean to Port of Spain, down the north and east coasts of [fol. 1491] South America to British Guiana, Dutch Guiana, Brazil, Montevideo, Buenos Aires, and across the Andes to Santiago. Brazil had been unwilling to grant operating rights to foreign companies, even for through operations, and NYRBA therefore operated in Brazil through a wholly-owned local company, NYRBA do Brasil, organized on October 22, 1929.

On September 15, 1930, Pan American acquired all of the assets and business of NYRBA, Tri-Motor Safety Airways and NYRBA do Brasil, except the contracts which those companies held with foreign governments for the transportation of mail.

After Pan American purchased the assets of NYRBA, it took over NYRBA do Brasil and, on October 17, 1930, changed the name to Panair do Brasil, S.A.

A recapitalization of Panair do Brasil, effective December 7, 1943, resulted in 42 percent of that company's stock being acquired by Brazilians and the remaining 58 percent still being held by Pan American. On December 19, 1947 Pan American sold an additional 10 percent of its stock to Brazilian citizens, thus reducing its holdings to 48 percent.

(2) Sociedad Colombo-Alemana de Transportes Aereas (SCADTA), Aerovias Nacionales de Colombia, S.A. (AVIANCA)

SCADTA was organized on December 5, 1919 and began operating in 1920.

By 1927 SCADTA was flying between the Colombian cities of Bogota, Neiva, Girardot, Baranca Bermeida, Magangue, Santa Marta, Barranquilla, Cartagena, Monteria, Turbo, Quibdo and Buenaventura.

In 1929 negotiations began between Pan American and SCADTA. An agreement was signed in 1930 and consummated in 1931. Under the terms of the agreement, Pan American purchased an 84.42 percent interest in SCADTA.

In 1940 SCADTA was merged with a Colombian national company known as Servicio Aereo Colombiana (SACO). [fol. 1492] This merger resulted on June 8, 1940 in a new company called AVIANCA. As a result of its interest in SCADTA, Pan American received 64.224 percent of the shares of AVIANCA. At about the same time that the merger of SCADTA and SACO took place, legislation was enacted in Colombia requiring that the majority interest in domestic air transport companies in that country must be held by nationals of Colombia. On October 31, 1945 Pan American's interest in AVIANCA was reduced to 48.2 percent. By the end of 1954 Pan American owned approximately 38 percent of the shares of AVIANCA.

(3) Uraba, Medellin & Central Airways, Inc. (UMCA)

This company was organized by Pan American under the laws of the State of Delaware on August 24, 1931. A Colombian citizen named Mejia owned 1500 shares of the common stock and Pan American owned the remaining 1500 shares of stock in this company.

In February 1934 Pan American acquired 500 shares of stock which had been previously owned by Mejia. In December 1947 Pan American purchased the remaining shares of common stock owned by Mejia and became the sole

stockholder of UMCA. Pan American still owns 100 percent of the UMCA stock.

Dated: May 1, 1959

SULLIVAN & CROMWELL

By DAVID W. PECK
Attorneys for Defendant
Pan American World Airways, Inc.

EDWARD R. KENNEY
Attorney for the United States
of America.

[fol. 1493]

GOVERNMENT'S EXHIBIT 1128

E-8189

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Served: MAR 26 1954

DOCKET NO. 4882 *ET AL*

REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING

Decided: March 26, 1954

Decision deferred temporarily on all applications and investigations in issue in the proceeding.

APPEARANCES:

E. Smythe Gambrell, Harold L. Russell, Robert E. Hicks and *Oscar M. Smith* for Eastern Air Lines, Inc.
Henry J. Friendly and *J. Howard Hamstra* for Pan American World Airways, Inc.
John W. Cross and *Richard A. Fitzgerald* for National Airlines, Inc.

John J. Burns and *Albert E. Rice* for Pan American-Grace Airways, Inc.

Paul A. Porter and *William L. McGovern* for Pan American-Grace Airways, Inc. and its directors nominated by Pan American World Airways, Inc.

Hubert A. Schneider and *B. Howell Hill* for Braniff Airways, Inc.

R. S. Maurer and *L. E. Black, Jr.*, for Chicago and Southern Air Lines, Inc.

D. Franklin Kell, George C. Neal and *James Bell* for Delta Air Lines, Inc.

John E. Kirk and *Joel C. Wilcox* for Greater Miami Traffic Association.

Francis A. Mulhern, S. H. Moerman and *W. B. Robinson* for Port of New York Authority.

George C. Neal for Councils 38 and 63 of Air Line Pilots Association.

Leslie G. Donahue and *Francis H. McAdams* for Bureau of Air Operations, Civil Aeronautics Board.

[fol. 1493a] OPINION

BY THE BOARD:

This proceeding involves issues relating to the provision of through services by interchange of equipment between various Latin American points and points on the east coast of the United States. Included herein are Board instituted proceedings relating to provision of one-plane service between New York and Balboa (a) by interchange of equipment at Miami, Fla., or Havana, Cuba, between Eastern Air Lines, Inc. (Eastern), and Braniff Airways, Inc. (Braniff);[1] (b) by interchange of equipment at Miami or Havana between National Airlines, Inc. (National), and Braniff;[2] or (c) by interchange of equipment at Miami be-

[1] This involves the question of extending either Eastern's route No. 6 beyond Miami to Havana, or amending Braniff's certificate to authorize service to Miami as an intermediate point on its South American route.

[2] See footnote 1 with reference to Braniff's certificate.

tween National and Pan American World Airways, Inc. (Pan American), using aircraft delivered to the latter by Pan American-Grace Airways, Inc. (Panagra), at Balboa, C. Z. There is also before us an application for approval of an agreement between Eastern and Pan American which provides for one-plane service between New York and Balboa by interchange of equipment at Miami, as well as for other through services between the northeastern part of the United States and Latin America.[3] Other related issues to be considered include (1) the question of participation by Panagra in the Eastern-Pan American agreement previously referred to; (2) the effectiveness of, and possible approval of an agreement between National and Panagra relating to the provision of through service be- [fol. 1494] tween points on the west coast of South America and New York; and (3) the modification and extension of the Through Flight Agreement between Pan American and Panagra which provides one-plane service by interchange of equipment at Balboa between points in South America served by Panagra and Miami, Fla.

The issues in this proceeding were previously before the Board, and a decision thereon was submitted for Presidential consideration. On May 14, 1953, President Eisenhower returned the Board's decision without approval or disapproval with the request that the record should be brought up to date. Pursuant to the President's request, the Board reopened the record in the proceeding in order to provide the parties with an opportunity to submit evidence, *inter alia*, as to facts and circumstances arising subsequent to the close of the hearing.[4]

After further hearing, Examiner Thomas L. Wrenn, who also heard the original proceeding, issued a Report substantially reaffirming his earlier recommendations.[5] Ex-

[3] The specific interchanges proposed are set forth on page 5 of the Examiner's recommended decision served November 13, 1953. It is to be noted that the agreement provides for participation of Panagra in a through service connecting points served by that carrier in Latin America with Washington and New York.

[4] Order No. E-7391, dated May 18, 1953.

[5] See Examiner Wrenn's Recommended Decision as issued January 23, 1952.

aminer Wrenn recommended, *inter alia,* that the Board approve the interchange agreement between Eastern and Pan American and that the record herein be held open for 60 days after decision to permit National and Braniff to negotiate and file with the Board an agreement for through service by interchange of equipment at Miami between New York and Balboa and points beyond. He also recommended that the Through Flight Agreement be approved and extended to July 1, 1960, that the application for approval of an interchange agreement between National [fol. 1494a] and Panagra, and the portion of the proceeding relating to the various Board proposed interchanges be dismissed. Bureau Counsel and each of the principal carrier parties filed exceptions to the Report and briefs in support thereof. Oral argument was heard by the Board and the case now stands submitted for decision.

At the outset, it should be made clear that basic to our consideration of the questions presented to us in this proceeding is our determination to take such action as will further the national policy directed toward reducing the burden of air mail subsidy payments. The Board is especially determined to take every practicable step, consistent with the mandate of our statute, to eliminate uneconomic aspects of our air route pattern, and to prevent the establishment of any new situations of that character. This does not mean that the Board will abruptly call a halt to the authorization of new services. That would not be in keeping with the developmental aspects of the statute or the dynamic character of air transportation. However, it does mean that special scrutiny will be applied to new route proposals to insure that the risks of additional mail pay support are minimized, and that any new subsidy requirements are heavily counter-balanced by important public benefits. Similarly, we will continue to encourage such developments as are designed to improve the air route pattern and relieve the subsidy burden on the taxpayers. These policies will of course be followed within the framework of our continued adherence to a policy of regulated and economic competition.

Since the oral argument in this case, certain events have occurred which have had a substantial impact on our na-

tional transportation policy in Latin America and on the issues before us. First, there was the institution of a suit [fol. 1495] by the Attorney General in the Federal District Court for the Southern District of New York against Pan American, W. R. Grace and Company, and Panagra, alleging, *inter alia*, that Pan American and Grace have unlawfully combined and conspired to monopolize air transportation between the United States and South America, and asking the court to direct Pan American and Grace to divest themselves of all interest in the control of Panagra. The outcome of this suit, if the Government is successful, will be the emergence of a Panagra which is independent of both Pan American and Grace interests and which constitutes a third competitive carrier for South American traffic.

The second recent development was a notice from the Brazilian government that would have had the effect in the near future of requiring Braniff to cease operations between Lima, Peru, LaPaz, Bolivia and Asuncion, Paraguay, on the one hand, and Rio de Janeiro and/or Sao Paulo on the other.[6] This notice was subsequently withdrawn, but the future plans of the Brazilian government in this regard are not known at this time. However, the uncertainty as to possible future developments in this situation remains as a significant factor in our consideration of the issues in this proceeding. Should the Lima-Rio de Janeiro segment be eliminated from Braniff's route pattern, the carrier will have lost one of its strongest segments in South America.

[6] Under the terms of the Bilateral Air Transport Agreement between the United States and Brazil, as amended, effective December 30, 1950, Braniff is enabled to operate between the United States on the one hand, and Rio de Janeiro and/or Sao Paulo on the other via Peru and/or Bolivia, only until the route Manaus, Goiania, Rio de Janeiro/Sao Paulo is ready for international operation. The Brazilian government notified the United States that the Manaus route would be operable shortly. Braniff is not the United States designee for the Manaus route. There is currently being heard before a Board Examiner a proceeding, Docket No. 2622, et al., in which such designee will be determined. Braniff is one of the applicants whose cases are being heard.

[fol. 1495a] The third event was the recent action of the Supreme Court overruling the Board's determination not to offset profits on the domestic routes of a carrier also having extensive international operations against its losses on its international routes in determining the amount of need or subsidy to be included in its international mail pay rate.[7] While the ultimate impact of this decision is as yet uncertain, it may affect the position of the domestic operators now providing international services.

These events, of which we take official notice, have had a considerable impact on our views as to the proper disposition of this proceeding. It is not unlikely that they have had a similar effect on the plans and aspirations of the carriers and other parties here involved. We believe that it is in the public interest temporarily to defer final disposition of this proceeding until an appropriate opportunity has been afforded the parties to reconsider their positions both in the light of these events and the views occasioned thereby which we present herein.

It was decided in the *Latin American Case*[8] that the national policy required competitive services in South America, and that such competition for the only United States flag carrier then providing international air service in that area, Pan American,[9] could be best provided by a carrier already operating domestic services. Thus, Braniff was selected to provide services between the United States, [fol. 1496] Balboa and major points in South America. However, for reasons which we need not now review, Braniff has had only limited success as a participant in the South American traffic market. It was the recognition of this fact which in part led to the institution of this pro-

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[7] Delta Air Lines, Inc. (successor to Chicago and Southern) et al. v. Postmaster General et al., Docket Nos. 222 and 223, October Term 1953, decided February 1, 1954.

[8] 6 C.A.B. 857 (1946).

[9] We have generally considered Panagra, which is 50 percent owned by Pan American, as part of the Pan American system. See Northeast Air. et al., North Atlantic Routes, 6 C.A.B. 319, 324 (1945); Cf. Latin American Service Case, supra.

ceeding and to an interim grant of exemption authority to Braniff to serve Miami in order that Braniff be accorded better access to the bulk of South American traffic which moves to and from northeastern United States points.[10]

However, as the evidence in this case indicates, Braniff continues to be a somewhat ineffective competitor in this market. Moreover, there is persuasive evidence that approval of the Eastern-Pan American-Panagra interchange would lead to even further domination by the Pan American system of traffic between the eastern part of the United States and the West Coast of South America,[11] where the Pan American system is already carrying the great bulk of the total traffic, both United States and foreign flag. While we are not insensitive to the need for single plane service between the populous northeast area of the United States and Balboa and South America, there are other means of satisfying this requirement without abandoning an important national objective—the continuation of competitive United States flag services to South America on an economically sound basis.

We also believe that effective competition between United States Flag carriers to South America can be obtained, as will hereinafter be suggested, consistent with the important and correlative national policy—the reduction of the annual obligation of the United States for air mail subsidies. In the *Latin American* decision we said that "it was not our [fol. 1496a] intention to encourage a waste of public money or private investment through the establishment of a multiplicity of air transportation services when the potential traffic and the public interest do not require such services." The views thus expressed are particularly pertinent here. The successful conclusion of the Attorney General's suit against Pan American and W. R. Grace would lead to a wholly independent Panagra and, thus, to three competitive United States flag systems. Yet we are convinced that the available traffic potential in South America will not

[10] Order No. E-5542, adopted July 13, 1951.

[11] This includes Balboa and Argentina, as well as Bolivia, Chile, Ecuador and Peru.

warrant the subsidy support of three such services, and that their existence would lead to "a waste of public money or private investment." On the other hand, the public interest of the United States would be well served by the establishment of a single independent carrier (free from the control of either Pan American or W. R. Grace) operating between Houston and Miami, on the one hand, and the points served on the combined routes of Panagra and Braniff, on the other hand. Such a carrier would offer effective, although to a considerable extent non-duplicative, competition for Pan American, and would at the same time lead to a reduction of subsidy requirements through the consolidation of the operations to South America and the facilities of Panagra and Braniff in that area.

If we were presented with an agreement which envisaged the creation of such an independent carrier, we would also be prepared to consider promptly equipment interchange proposals which would provide access to the northeastern part of the United States for the new carrier, and thus through services to and from Balboa and South America.

This approach to the problem of South American service would not only be most consistent with the national interest objectives previously referred to, but would also benefit [fol. 1497] the private interests of Braniff and Panagra. Braniff's shareholders may obtain the opportunity of disengagement from what has not been a particularly successful undertaking from their standpoint, as well as to remove the present doubt as to their ability to retain the full measure of future profit earned on their domestic system; or they may be participants in a new enterprise which will have a more favorable competitive opportunity.

The possible advantage to Panagra is no less significant. The northern terminus of Panagra's route is presently at Balboa. It is only through the Through Flight Agreement, which is currently before us for approval, that Panagra's passengers are afforded one-plane service to Miami. If Panagra were to be deprived of its present access to Miami, especially if Braniff were to continue to have such access, either under the present terms or by approval of some

interchange agreement, Panagra's economic position would rapidly deteriorate. However reluctant we would be to terminate an arrangement which has provided an improved service for South American passengers, we cannot overlook the fact that the Through Flight Agreement may be significant with respect to the arrangement between Pan American and W. R. Grace which the Attorney General of the United States has charged to be an unlawful conspiracy in violation of the laws and statutes of the United States. Whether or not in the light of this suit we could approve such agreement, we need not now decide. However, it is apparent that a question is raised as to such approval which was not heretofore considered significant. It may also be noted that Pan American and W. R. Grace, the principal shareholders in Panagra, may be enabled to save the expense and hazards of the Attorney General's suit by the disposition of their control of Panagra.

[fol. 1497a] The solution of the problem of South American service in our view also affects decision on the other interchange services which Pan American and Eastern propose. Until we resolve appropriately the basic question as to the future of United States flag competitive services in South America, we cannot dispose of these related proposals. Obviously, unless it appears that the solution we have suggested can be worked out, we would find it most difficult under the circumstances to approve any arrangement which would result in fostering the dominance of any one system in Latin America. We are therefore deferring action on the entire proposal of Eastern and Pan American, as well as on the Through Flight Agreement, the National-Panagra Agreement and the Board instituted investigations.

We believe that a 60 day period will allow sufficient time for the parties to reconsider their positions, and to work out and file any agreements which they may believe will satisfy the basic objectives which we have here spelled out.

An appropriate order will be entered.

Gurney, Chairman, Denny, Vice Chairman, Lee and Adams, Members of the Board, concurred in the above opinion. Ryan, Member, filed the attached concurring opinion.

[fol. 1498] RYAN, Member, Concurring:

I concur in the present action which seeks to accomplish, through the voluntary action of the interested air carriers, a desirable modification of the U. S. air carrier route pattern in South America; and I concur in the 60-day deferment of final decision on the present interchange proposals until the parties have been afforded an apportunity to present to the Board an appropriate plan for remedying the deficiencies of that pattern. My concurrence, however, is based upon somewhat different reasoning than that used by my colleagues.

The deficiencies which characterize our South American air pattern and give rise to our present problem stem from the duplication of routes and services authorized by the Latin American decision of 1946. In that decision, a third U. S. trunkline carrier was authorized to serve Buenos Aires and a South American area in which every major city and many cities of minor importance were then receiving trunkline service by one or both of the U. S. flag aircarriers then serving South America. The average travel density on the routes of Pan American and Panagra in the area at the time of the decision was approximately ten per cent of the domestic route average and was closely comparable to the travel density of the routes of Continental Air Lines and Inland Air Lines, the two domestic carriers then serving the least populated areas of the United States.

This decision entered eight years ago reflected the almost universally prevailing optimism of the postwar period. The decision disregarded the then historic traffic experience, which showed a limited traffic potential in the areas involved and relied upon the assumption that popular aware-[fol. 1498a] ness of the advantages of air transportation would recruit an infinitely large traffic volume for the support of the additional services authorized.

In an opinion opposing the authorization of a third carrier (in which I was joined by Member Branch) I pointed out that in estimating the traffic potential the Board in the 1946 decision should also have considered that the cabotage rights then enjoyed by our two carriers in South America

and which meant a substantial contribution to their revenues would, in all likelihood, be terminated by the governments that had granted them as soon as their own national airlines were organized; and that there was certain to appear a large volume of foreign carrier competition which could be counted upon to capture a large part of the available traffic; and that by reason of these factors the large traffic potential anticipated would not materialize.

In the light of these facts it was my view that the authorization of a third carrier to serve South America would not be consistent with the guiding principles which the Congress gave us in the Civil Aeronautics Act. Those principles were stated as follows in my opinion in the Latin American Case already referred to:

> "The Civil Aeronautics Act does not contemplate expansion through wasteful and destructive competition; it does not require this Board to authorize competition on every route irrespective of the economic consequences which may flow from such action. On the contrary, Section 2 of the Act expressly calls for 'competition *to the extent necessary* to assure the *sound development* of an air transportation system' properly adapted to the three-fold national needs of commerce, the Postal Service and the national defense; and the same section significantly requires this Board in its decisions to accomplish that development 'in such manner as to * * * foster *sound economic conditions* in such transportation.' (Emphasis supplied.) The com- [fol. 1499] petition intended by the Congress, therefore, was a competition of the kind and quality necessary to assure sound development and sound economic conditions in this industry.
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> "In the exercise of the informed judgment which the law requires of us, *we cannot escape history and take refuge in speculation.* We should be able to catch from the present record at least the shadowy outlines of a sufficient traffic potential before taking action which would threaten the sound economic structure of our existing South American airline network which re-

quired years of effort and millions of dollars in Federal aid from the Treasury of the United States to bring to its present state of development."

The events which have occurred in the eight years since the Latin American decision testify to the validity of the views I expressed in my opinion in that case. The cabotage rights which had contributed to our carriers' revenues have been withdrawn by most of the governments that granted them.[1] The anticipated foreign competition has become a reality and our carriers in South America are today faced with the formidable competition of such foreign air carriers as BOAC, KLM, LAV, AREA of Ecuador, Avianca, Aerolineas Argentinas and Aerovias Brasil. The Examiner in the present proceeding has found that Pan American and Panagra alone are losing more than $3,000,000 in passenger revenue annually as a result of foreign flag carrier operations between the northeastern United States and Latin America. The vast traffic potential, which was the basis of the Latin American decision, has failed to materialize.

[fol. 1499a] The net result of the situation thus created has been a rising tide of subsidy which properly gives us concern today. Thus, Pan American, which eight years ago realized an annual operating profit of over $2,000,000 on its then self-sufficient operation in South America, has recently been found by this Board to require an annual subsidy of over $11,000,000.[2] Panagra, which eight years ago required $963,000 of subsidy from the government, now requires over $2,000,000. And the cost of the Braniff operation has risen from $563,000 in 1948 to a break-even need of over $3,000,000. The total mail pay for Pan American's Latin American Division, Panagra and Braniff for 1953 is estimated at $18,000,000, of which $15,000,000 will constitute subsidy.[3]

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[1] Argentina, Brazil, Peru and Venezuela have cancelled cabotage rights previously granted to U. S. carriers.

[2] Order No. E-7650, adopted August 19, 1953.

[3] Unless otherwise indicated, all figures on mail pay and break-even need are based on applicable mail rate orders and the carriers' reports submitted to the Board.

In an effort to improve the economic and competitive position of Braniff, the Board by exemption extended that carrier to Miami on a temporary basis in order that it might obtain access to the traffic to and from the eastern part of the United States. The result was an increase rather than a decrease in Braniff's subsidy need. Thus, Braniff's break-even need for the year ending August 1951, the last full year prior to its entry into Miami, was approximately \$1,670,000. During the first full year after the carrier's access to Miami its break-even need arose to \$3,382,000. The uncontroverted evidence in the present case showed an estimated cost to the government of more than one thousand dollars for each of the additional passengers which Braniff gained from its entry into Miami.

[fol. 1500] It is my opinion that the uneconomic consequences that have overtaken the Braniff operation cannot be justly attributed to any shortcomings of management. On the contrary, this air carrier has earnestly and intelligently employed its trained and experienced personnel to meet the statutory standard of honest, economic and efficient management. But management in a public utility enterprise must operate within the framework of public regulatory policies, and if, in any instance, unsound economic conditions result from regulatory policy, the ablest of managements cannot be expected to achieve the economic results which it might otherwise be able to accomplish.

The Board's interim opinion cites the Attorney General's pending suit against Pan American, W. R. Grace & Company and Panagra for unlawful conspiracy to violate the anti-trust laws and designed to require Pan American and Grace to divest themselves of all interests in and control of Panagra. This event is said to have had "a considerable impact on our views as to the proper disposition of this proceeding" and the suggestion is made that Pan American and W. R. Grace might "save the expense and hazards of the Attorney General's suit by the disposition of their control of Panagra."

I cannot agree with the propriety of relying upon the pending anti-trust suit as a basis for the Board's thinking

in the present case. It is one of the most cherished traditions of our American jurisprudence that an accusation does not establish the fact. Furthermore, the suggestion that Pan American and Grace might "save the expense and hazards of the Attorney General's suit by the disposition of their control of Panagra" is likely to be misunderstood as an indirect pressure to force changes in the route pattern which the Board deems desirable, and which has nothing [fol.1500a] to do with the merits of the question involved in the Attorney General's suit.

Reliance on the anti-trust suit would seem to be particularly inappropriate in the case of the Through Flight Agreement. At a time when the Board was fully aware of the difficulties arising from the joint ownership of Panagra and was conferring with the Department of Justice regarding this matter, it nevertheless approved the Through Flight Agreement as not being either adverse to or inconsistent with the public interest. In approving this agreement the Board stated that it considered the arrangement to be an "improvement over the past situation * * * and as such beneficial to the public," and that "such transaction does not result in creating a monopoly." [4] To consider that the filing of the pending suit, therefore, has a prejudicial significance for the through flight arrangement seems hardly consistent with the Board's previous statements. I trust it is obvious that my references to the Attorney General's suit are not intended to imply any views as to the merits of that suit.

In the foregoing pages I have sought to present my own views as to the appropriate justification for the unprecedented action which the Board here takes to accomplish a major change in the South American route pattern. The problem confronting us is one of great complexity and is probably not susceptible of satisfactory solution without the voluntary and willing assistance of the carriers involved. While the course here taken is somewhat unique, we have the right to hope that the interested carriers may be able to work out, by voluntary action, a plan compatible

[4] *Pan American-Panagra Agreement*, 8 CAB 50, 57, 63 (1947).

with the Civil Aeronautics Act for correcting the deficiencies in our existing South American route pattern and thereby make possible a substantial reduction in the federal subsidy.

/s/ Oswald Ryan

[fol. 1501]

Order No. E-8189

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 26th day of March, 1954

Docket No. 4882 *et al.*

In the Matter of the

Reopened New York-Balboa
Through Service Proceeding

ORDER

A full public hearing having been held in the above-entitled proceeding, and the Board, upon consideration of the record, having issued its opinion containing its findings and conclusions, which is attached hereto and made a part hereof;

It is ordered, That decision herein be and it hereby is deferred temporarily.

By the Civil Aeronautics Board:

/s/ M. C. Mulligan

M. C. Mulligan
Secretary

(Seal)

[fol. 1502]

GOVERNMENT'S EXHIBIT 1129

E-9109
E-9110

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Served:

DOCKET NO. 4882 ET AL.

REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING

Decided: November 23, 1954

Eastern-Pan American Interchange Agreement disapproved as contrary to the public interest.

Eastern-Braniff interchange between New York-Washington-Miami on Eastern's route No. 6 and Balboa and points south thereof on Braniff's South American route found to be in the public interest; record held open for 60 days to allow parties to enter into an agreement for such an interchange, and decision deferred with respect to ordering a compulsory interchange between Eastern and Braniff.

Braniff's Latin American route amended to authorize service to Miami, Florida, on interchange flights. Braniff's exemption authority to serve Miami, Florida, continued in effect until Board approval of an interchange agreement between Eastern and Braniff or until Board action upon a compulsory interchange between Eastern and Braniff.

Pan American-Panagra Through Flight Agreement approved subject to the condition that flights pursuant thereto shall be operated through to Washington and New York under the terms of an interchange agree-

ment to be filed between National, Pan American and Panagra; record held open for 60 days to allow entry into and filing for Board approval of an agreement between National, Pan American and Panagra for interchange service between New York, Washington, Miami and South America.

All other proceedings, applications, petitions and motions dismissed or denied.

Appearances:

E. Smythe Gambrell, Harold L. Russell, Robert E. Hicks and Oscar M. Smith for Eastern Air Lines, Inc.

Henry J. Friendly and J. Howard Hamstra for Pan American World Airways, Inc.

John W. Cross and Richard A. Fitzgerald for National Airlines, Inc.

[fol. 1502a] John J. Burns and Albert E. Rice, for Pan American-Grace Airways, Inc.

Paul A. Porter and William L. McGovern for Pan American-Grace Airways, Inc. and its directors nominated by Pan American World Airways, Inc.

Hubert A. Schneider and B. Howell Hill for Braniff Airways, Inc.,

R. S. Maurer and L. E. Black, Jr., for Chicago and Southern Air Lines, Inc.

D. Franklin Kell, George C. Neal and James Bell for Delta Air Lines, Inc.

John E. Kirk and Joel C. Wilcox for Greater Miami Traffic Association.

Francis A. Mulhern, S. H. Moerman and W. B. Robinson for Port of New York Authority.

George C. Neal for Councils 38 and 83 of Air Line Pilots Association.

Leslie G. Donahue and Francis H. McAdams for Bureau of Air Operations, Civil Aeronautics Board.

OPINION

By the Board:

This proceeding involves issues relating to the provisions of through services by interchange of equipment be-

tween various Latin American points and points on the east coast of the United States. Included herein are the Board instituted proceedings relating to provision of one-plane service between New York and Balboa (a) by interchange of equipment at Miami, Fla., or Havana, Cuba, between Eastern Air Lines, Inc. (Eastern), and Braniff Airways, Inc. (Braniff);[1] (b) by interchange of equipment at Miami or Havana between National Airlines, Inc. (National), and Braniff;[2] or (c) by interchange of equipment at Miami between National and Pan American World Airways, Inc. (Pan American); using aircraft delivered to the latter by Pan American-Grace Airways, Inc. (Panagra), at Balboa, C. Z. There is also before us an application for approval of an agreement between Eastern and Pan American which provides for one-plane service between [fol. 1503] New York and Balboa by interchange of equipment at Miami, as well as for other through services between the Northeastern part of the United States and Latin America.[3] Other related issues to be considered include (1) the question of participation by Panagra in the Eastern-Pan American agreement previously referred to; (2) the effectiveness of, and possible approval of an agreement between National and Panagra relating to the provision of through service between points on the west coast of South America and New York; and (3) the modification and extension of the Through Flight Agreement between Pan American and Panagra which provides one-plane service by interchange of equipment at Balboa between points in South America served by Panagra and Miami, Florida.

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[1] This involves the question of extending either Eastern's route No. 6 beyond Miami to Havana, or amending Braniff's certificate to authorize service to Miami as an intermediate point on its South American route.

[2] See Footnote 1 with reference to Braniff's certificate.

[3] The specific interchanges proposed are set forth in the Examiner's Recommended Decision, issued November 13, 1953. Portions of that recommended decision appear, infra, as Appendix II. See pages 1-2 of Appendix II for a more detailed statement of the issues.

The issues in this proceeding were previously before the Board, and a decision thereon dated June 23, 1952, was submitted for Presidential consideration. On May 14, 1953, President Eisenhower returned the Board decision without approval or disapproval but with the request that the record be brought up to date. Pursuant to the President's request, the Board reopened the record in the proceeding in order to provide the parties with an opportunity to submit evidence, *inter alia,* as to facts and circumstances arising subsequent to the close of the hearing.[4]

After further hearing, Examiner Thomas L. Wrenn, who also heard the original proceeding, issued a recommended decision substantially reaffirming his earlier findings and conclusions.[5] Examiner Wrenn recommended, *inter alia,* that the Board approve the interchange agreement between Eastern and Pan American and that the record herein be [fol. 1503a] held open for 60 days after decision to permit National and Braniff to negotiate and file with the Board an agreement for through service by interchange of equipment at Miami between New York and Balboa and points beyond. He also recommended that the Through Flight Agreement be approved and extended to July 1, 1960, that the application for approval of an interchange agreement between National and Panagra and the portion of the proceeding relating to the various Board proposed interchanges be dismissed. Bureau Counsel and each of the principal carrier parties filed exceptions to the recommended decision and briefs in support thereof. Oral argument was heard by the Board and a decision was issued on March 26, 1954 deferring, temporarily, final action in this case.[6]

As stated in that decision the Board was convinced that "the public interest of the United States would be well served by the establishment of a single independent car-

[4] Order Serial No. E-7391, dated May 18, 1953.

[5] See Examiner Wrenn's earlier Recommended Decision as issued January 23, 1952.

[6] Order Serial No. E-8189.

rier (free from the control of either Pan American or W. R. Grace) operating between Houston and Miami, on the one hand, and the points served on the combined routes of Panagra and Braniff, on the other hand. Such a carrier would offer effective, although to a considerable extent non-duplicative, competition for Pan American, and would at the same time lead to a reduction of subsidiary requirements through the consolidation of the operations to South America and the facilities of Panagra and Braniff in that area." We requested in our March decision that the carriers reconsider their positions as to the solution of the problem of South American service and gave them a 60-day period in which to work out and file any agreements which they might feel would satisfy the basic objectives set forth in that decision. That period of time for carrier action has now passed and no such agreement has been filed with the Board. The case, therefore, now stands submitted for decision.

[fol. 1504] After reviewing the additional evidence adduced pursuant to President Eisenhower's request in further hearing, briefs and oral argument, we now reaffirm our earlier decision of June 23, 1952, and adopt it as a part of this decision. We are therefore resubmitting to the President our earlier findings as originally written, since with minor exceptions the new evidence now before us supports and strengthens our decision of June 23, 1952.[7] That decision as originally submitted comprises the next 20 pages, while the succeeding pages of this decision contain our further findings based upon the new evidence adduced upon rehearing. Appendices I and II consist of those portions of the Examiner's two reports, dated January 23, 1952, and November 13, 1953, which we adopt as part of our opinion herein.

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[7] In several instances, changes in circumstances since 1952 have altered or nullified the need for certain references and other supporting data originally shown in our June 23, 1952 decision. In such cases, the references have either been omitted from this decision or have been supplemented by other references, enclosed in brackets [ ].

In this case, the Board recognizes that it has before it a matter of considerable importance to the development and promotion of air transportation. The Latin American area is today the largest foreign air transportation market to which American flag carriers have access. Moreover, it is a market which has expanded tremendously in the past, and which may be expected to continue to grow in the immediate as well as more distant future. The importance of this market and the rapidity of its growth is illustrated [fol. 1504a] in the table set forth below.[8] These figures indicate that whereas travel between Europe and the United States has increased less than 15 percent in the period between 1931-1951, travel between the United States and Latin America has almost trebled. And of even greater significance is the fact that whereas by 1951, air transportation had only captured approximately 35 percent of the European travel market, it had obtained about 80 percent of the Latin American market.

We are here concerned with proposals for the provision of improved service between Latin America and the northeastern part of the United States, the area providing the largest Latin American traffic potential in the country.[9] In view of the importance of this traffic to the individual destinities of the carriers party to this proceeding, as well as to our social, cultural, and economic relationships with the Latin American countries, we have here focused not only upon the immediate advantages to the traveling pub-

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	Travel by sea and air[a]		*Travel by air*[a]	
	1931	*1951*	*1931*	*1951*
Latin America	395,278	1,148,816	15,621	928,157
Europe	873,310	981,819	—	318,198

[a] Figures obtained from United States Department of Justice Immigration and Naturalization Service. Figures for 1951 are for the year ended June 30, 1951.

[9] While current Origination and Destination statistics would show a larger number of passengers for the Miami area, it is obvious that the larger part of this is gateway traffic bound to or from other areas.

lic to be obtained through the provision of through one-plane service in place of existing two-plane connecting ser- [fol. 1505] vice[10] but also on the long range effect of the various proposals on our air transportation system.[11]

It is to be noted that in the endeavor to obtain an air transportation system commensurate with the needs of the commerce of the United States and the national defense, the Board, as well as the President, have relied principally on carrier competition to achieve those economies and improvements in service which are necessary for these purposes. This reliance on competition is responsive to the declaration of policy in section 2 of the Act which states in pertinent part that the Board shall consider "* * * as being in the public interest * * * competition to the extent necessary to assure the sound development of an air transportation system properly adapted to the needs of the foreign and domestic commerce of the United States, of the postal service, and of the national defense * * *." We have, therefore, carefully examined the proposals before us, particularly in the light of their effect on carrier competition in the areas involved.[12]

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[10] See Order Serial No. E-5282 dated April 12, 1954, p. 5-6, for a description of the improvements over a connecting service offered by an interchange.

[11] This policy is consistent with that followed in the *Latin American Air Service Case*, 6 C.A.B. 857, where we stated: "The basic criterion is the creation of an air transportation system which will be adequate to the present and the future needs of the foreign and domestic commerce of the United States, the postal service and the national defense. This objective is important in the determination of the route pattern selected for service, and in the selection of the particular carrier to provide service over the approved route. The future requirements of the foreign and domestic commerce are as important as those of the immediate present, for we are building an air transportation system for the future. It may sometimes happen that the carrier which can contribute the most in the short run may not be the carrier that can contribute the most in the long run, and where that choice is presented, long-run considerations should rule." 6 CAB 857, 899.

[12] We have no doubt as to the relevance of such an inquiry under the circumstances of this case. *Southern Service to the West Case, Supplemental Opinion*, Order Serial No. E-6105, adopted February 11, 1952, pp. 4-7. [See also supplemental opinion, Order Serial No. E-8466, adopted June 25, 1954, pp. 18-21.]

[fol. 1505a] The interchange schedules which are proposed for operation under the Pan American-Eastern Interchange Agreement as well as the pertinent traffic figures with relation to the schedules are set forth in Appendix I attached hereto. Eastern estimates that these interchanges would offer first one-plane United States flag carrier service to a total of 33,922 passengers yearly of which 10,111 would be between Eastern and Panagra interchange points, 12,415 would be between Eastern and Pan American interchange points[13] and 11,396 would be New York-Bahamas traffic now carried by British Overseas Airways Corporation. The further contention is made that the number given first one-plane service exceeds that of any other interchange proposal approved by the Board.[14]

We do not take issue with these contentions as to the extent of initial direct benefits to be derived from these interchanges. However, after carefully weighing these benefits, we have come to the conclusion that the agreement is not in the public interest, and should not be approved. We have reached this conclusion because we believe that approval of this agreement would preclude the attainment in certain areas of the competitive balance we deem necessary for the long-term promotion and development of air transportation therein, and with respect to other areas would adversely affect such competitive balance as has already been reached.

First, let us consider the probable effect of the proposed Eastern Pan American-Panagra interchange on the division of traffic moving between the northeastern United States, Balboa, and points on the west coast of South [fol. 1506] America.[15] It is clear that the Eastern-Pan

[13] A substantial part of this traffic currently receives one-plane foreign flag service.

[14] See Appendix I, p. 11 for the comparison.

[15] We find substantial agreement on the question of public interest in at least one interchange service between New York and Balboa. There is disagreement, however, as to the economic feasibility of two such interchanges.

References herein to "points on the west coast of South America" include Argentina, as well as Bolivia, Chile, Ecuador, and Peru. See note to Appendix IA attached hereto.

American-Panagra combination would have an overwhelming competitive advantage over other American flag service both in South America and in the United States. This advantage flows from a variety of factors including the vast discrepancies, in the combine's favor, in the size of the competing carriers, their entrenched position in the market, and the much larger sales organization and budgets available for the promotion of their service.

For example, the gross capital assets of Pan American exceeded 144 million dollars as of December 31, 1950, of which 45 million were assigned to the Latin American Division; the gross capital assets of Eastern exceeded 38 million dollars and Panagra 12 million. Thus, the total gross capital assets of this combination exceeded 194 million dollars. The same figures for National and Braniff are 14 million and 12 million, or a total of 26 million. In total route mileage, number of points served, average daily route miles in operation and gross revenues, the disparity in size is equally evident. In traffic and sales expense, the Eastern-Pan American (Latin American Division only)-Panagra combination spent over 15 million dollars in the year ended December 31, 1950, whereas the total for National and Braniff (International Division only) was less than 3 million. Pan American and Panagra and Eastern dominate the sale of tickets sold in the United States for Latin American passage on United States certificated carriers. For example, in the survey month September 1950, Pan American sold 2,705 passenger tickets, Panagra sold 606, and [fol. 1506a] Eastern sold 767. By way of contrast Braniff sold only 325 and National 107 (exclusive of Havana). The significance of these factors cannot be over emphasized when the question of relative competitive strength is being weighed. To these obvious advantages must also be added the intangible but nevertheless important factor of Pan American's favorable and long standing close relationship with the travel agents who sell a considerable portion of the tickets for this travel. In this connection the size and variety of transportation services offered by the Pan American system are important to securing the primary loyalty of such agents.

It is thus not too surprising to note that Pan American's own exhibits show that during the first six months of 1951 that carrier participated in the carriage of almost 92 percent of the total traffic carried by both United States and foreign flag carriers between the northeastern part of the United States and the west coast of South America,[16] and an even higher percentage of the remainder of the east coast traffic to these South American countries.

The proponents of the Eastern-Pan American-Panagra interchange recognize the competitive superiority of the service they propose to offer between the northeast and the west coast of South America over the alternate service of National and Braniff connecting at Havana, and the probable effect of that superiority on the division of South American-northeastern United States traffic between the carriers. While they argue that smaller carriers have furnished effective competition with larger carriers on particular route segments, they have not supported such contention with facts demonstrating that disparities of the magnitude of these here involved have been successfully [fol. 1507] overcome by a vigorous smaller competitor. However, it seems that they place greater emphasis on other arguments. Thus, insofar as the effect of the interchange would be to deny Braniff any substantial participation in traffic from the northeast, it is claimed that this is consistent with the decision in the *Latin American Service Case*, 6 C.A.B. 857, on the ground that Braniff was only certificated to tap the traffic potential between the mid-west area of the United States and South American points. Insofar as the proposed interchange would deliver to Eastern all South American passengers moving over Panagra and Pan American routes beyond Miami to and from the northeast, and thus adversely affect National's traffic between Miami and New York, it is contended that Eastern as the historical carrier of the connecting traffic would only be recovering traffic previously diverted from it by National.

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[16] [This includes Balboa and Argentina, as well as Bolivia, Chile, Ecuador and Peru.]

These contentions rest on unsound premises. One of the reasons for certificating Braniff to serve South America was to provide competition for the Pan American system in that area. It was expected that in addition to tapping the midwest potential Braniff would be enabled to compete effectively for northeastern United States traffic to South America. However, for various reasons the relative importance of which need not be here determined, the Havana connection with National has never become effective, and until our recent decision extending Braniff to Miami,[17] Braniff had not participated substantially in this traffic.[18] We deem it necessary in accordance with the basic policy decision in the *Latin American Case* to provide Braniff with [fol. 1507a] effective access to this market so that its service in South America may compete vigorously with Pan American's services. By the same token we certificated National between New York and Miami in order that this route, one of the most important in our domestic system, could obtain the advantages which flow from competitive services.[19] National has only in the recent past attained effective competitive status on this route. We are convinced that it is not in the public interest to jeopardize the measure of competitive balance already attained on this route by excluding National from any real share of the substantial traffic to and from Balboa and South America controlled by Pan American and Panagra.[20]

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[17] Exemption Order Serial No. E-5542, adopted July 13, 1951.

[18] See Pan American's brief to the Board, p. 24, "With Eastern being required by the established route structure to work with Pan American at Miami, and with National having chosen to do so likewise, it is not surprising that Braniff has obtained only 6% * * * of the business between the northeast and points served competitively through the Miami gateway."

[19] *Colonial Air, et al., Atlantic Seaboard Operation*, 4 C.A.B. 552, 553-560 (1944).

[20] National estimates that the Eastern-Pan American-Panagra interchange would subject to diversion 9,512,540 revenue passenger miles now generated by National or an amount in excess of one-half million dollars in revenue. It is true that these figures are based upon traffic generated during a period when W. R. Grace & Co. was a large stockholder in National, which is not now the

Thus, independent of any comparison with the other interchange possibilities before us, we would reject the proposed Eastern-Pan American-Panagra interchange service to Balboa and the west coast of South America in view of the extremely adverse impact[21] on competitive carriers, and on the long range development and promotion of air transportation, even though there would be an immediate benefit to the public in the form of an improved one-plane [fol. 1508] service between the United States and the west coast of South America.[22] However, our rejection of the proposed interchange does not necessarily preclude the establishment of an improved service. There are other interchange possibilities before us that can provide a one-plane service without distorting the competitive balance we have sought to establish.

Thus, instead of permitting the three strongest carriers to enter into an interchange relationship, it would be more desirable if Braniff, the weaker carrier in South America, were paired with Eastern, the stronger carrier in the United States. Braniff submitted proposed schedules indicating that a daily service would be operated between New York, Washington, and Miami on Eastern's route on the one hand, and Balboa on the other hand. Four of these flights would also serve Lima, Sao Paulo, and Rio de Janeiro. Service to Guayaquil and Lima would be offered by connection at

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case. Regardless of the reasons by which National obtained this traffic, its loss would seriously affect the carrier's competitive position. It is to be noted that we are not here concerned with a proposal for a return to free competition for this traffic, in which National's loss would not be so great, but with a projected interchange which would exclude National from obtaining any real share of this traffic.

[21] For example, if an Eastern-Pan American-Panagra interchange were inaugurated, and Braniff was relegated to a connecting service at Havana with National, Braniff estimates, not unreasonably, that it would lose substantially all its international traffic to the eastern United States. This now amounts to 16.8% of its international passenger revenues and 59.9% of its international cargo revenues.

[22] Compare *Chicago and Southern-Pan American Interchange Agreement Case*, Order Serial No. E-6452, adopted May 23, 1952.

Balboa on two of the other three days of the week. Braniff notes that these schedules were based upon the hypothesis that Braniff equipment exclusively would be used in the interchange, in which case it would require acquisition of an additional DC-6 aircraft. Given cooperation by Eastern and use of some of its equipment, which the latter's own economic interest would dictate if an interchange relationship were established, Braniff notes that more through service beyond Balboa would be offered. Thus, it is clear that an Eastern-Braniff interchange would offer the public substantially the same through one-plane service advantages as under the proposal previously considered as well as new single-plane service to Sao Paulo, Rio de Janeiro, and [fol. 1508a] Buenos Aires[23] which would permit effective competition with Pan American's current single-plane service between these points and New York. On the other hand, Braniff would be receiving the support of the second largest sales organization in the United States for Latin American air travel (Pan American is the largest) and coupled with the improved service it would offer to the more important traffic-generating sources, would thus undoubtedly become a more effective competitor in the South American market. On the other hand, Eastern's competitive position on the Miami-New York route would not be seriously affected,[24] nor would the carrier be subjected to

[23] The Eastern-Pan American-Panagra interchange would also serve Buenos Aires, but the effectiveness of competition between this service and Pan American's own single-plane service to New York is obviously suspect.

[24] Eastern, for example, carried 135,936 passengers between New York and Miami in the first six months of 1951. In the same period, National carried only 79,676 such passengers. Eastern's greater traffic generation extended to other northeastern points served in competition with National. It is to be noted that during this period National carried about 65 percent of the South American connecting traffic originating or terminating on Panagra's routes bound to or from northeastern United States. In this period there were approximately 68 such passengers in both directions per day. Thus, at worst, Eastern would suffer a net loss of about 25 passengers a day in both directions on its east coast route. In comparison with the traffic now carried by Eastern, this is not a serious loss of traffic. However, even this estimate is unduly pessimistic considering the traffic generating potentiality of the Braniff-Eastern interchange.

debilitating loss of revenue, especially in view of its opportunity to work with Braniff in the development and promotion of Balboa and South American traffic.

Financially, it appears that the relatively small increase of slightly more than 12 one-way passengers a month would be enough to meet the additional costs to Braniff of the interchange service proposed.[25] The improved service to be offered would appear to be more than adequate to attract this amount of traffic. To the extent that additional traffic is developed, the cost to the Government in terms of mail [fol. 1509] pay support for Braniff should be decreased. On the other hand, it is true that to the extent that traffic is diverted from Pan American and Panagra, the subsidy paid to those carriers may have to be increased. However, it is our opinion that the stimulus derived from more effective competition should in this instance have a promotional effect on total traffic carried by these carriers so that the overall effect of our action will not be merely to transfer traffic from one carrier to another, but to increase the total traffic of both and thus to decrease total mail pay support for the three carriers.

We prefer a Braniff-Eastern interchange to an interchange aligning either Braniff or Pan American with National because, by establishing Eastern as Braniff's interchange partner, we give Braniff the most effective access to the northeast available in this proceeding. Thus we enable that carrier to compete in South America on more favorable terms than in the past with the much larger and well-entrenched Pan American system. In this way, we effectively implement the decision in the *Latin American Service Case* with respect to establishment of a service competitive with Pan American.[26]

It has been contended that approval of an Eastern-Braniff interchange would cause Braniff to "abandon the middle west", in favor of the northeastern United States

[25] Braniff's Exhibits, Vol. 1, p. 145.

[26] Cf. *Pan American World Airways, Inc.—Guatemala City/Los Angeles/San Francisco Operations*, Order Serial No. E-5360, decided April 12, 1950, p. 4.

market. This argument is unsound. It was our intention that Braniff would serve the northeast through connection at Havana, just as Pan American serves it through connection at Miami. The fact that Braniff was pushed into exerting practically all its efforts into development of the mid-west market by a denial of real access to the northeast, in which denial Pan American played its part, should not [fol. 1509a] forever preclude that carrier from striving to provide competitive service in both mid-west and northeastern markets. And, since the latter is the largest source of traffic, and is given more frequent service by competitive carriers, we cannot find neglect of the mid-west when Braniff at the outset elects to provide the northeast with more service than the mid-west. As a matter of fact, the schedules proposed by Braniff call for four flights weekly into South America from Houston, which is the same amount of service that Braniff provided prior to obtaining temporary authority to serve Miami to tap the traffic potential of the northeast.[27] Moreover, we are convinced that, if the traffic warrants it, as equipment becomes available, Braniff will substantially increase service to the mid-west.

It is also to be noted that a Braniff-Eastern interchange will bring together carriers which have no conflicting interest in the Latin American area, and which are already interchange partners for traffic moving into the Miami terminal.[28] Having already worked out many operational problems associated with the interchange, they should not only be familiar with each other's operational characteristics, but should be able to negotiate successfully another interchange arrangement.

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[27] Since inauguration of service to Miami, Braniff has been serving the mid-west with a daily schedule. The traffic support for the additional service has been derived from the northeast.

[28] Braniff and Eastern are now providing interchange service between Denver and Miami. Moreover, the Board has just approved an application for approval of a merger between Braniff and Mid-Continent Airlines, Inc., which when finally consummated will make Braniff a partner in a second interchange with Eastern between Kansas City and Miami. Order Serial No. E-6459, adopted May 26, 1952.

By way of contrast, Pan American and Eastern have important conflicting interests in the very Latin American areas in which they propose to run interchange services. Thus, both Pan American and Eastern have competitive routes between San Juan, Puerto Rico, on the one hand, and New York and Miami, on the other. And, Pan Ameri-
[fol. 1510] can's own routes to South America through the San Juan cut-off would definitely be competitive with the proposed Eastern-Pan American interchange services through the Miami gateway. The conflict of interest is obvious. For example, one of the interchange proposals calls for service to Maracaibo by Eastern and Pan American through Miami. However, Pan American's own one-carrier service through San Juan would be competitive with this interchange. As a matter of fact, in September 1950, Pan American carried more passengers between New York and Maracaibo over its own route than it did by connection at Miami with other[29] carriers. The conflict of interest in promoting the interchange service at the expense of its own one-carrier service is obvious. It is clearly preferable to have an interchange service where the carriers' loyalty to such service is not in conflict with their independent economic interests.

We recognize, of course, that Braniff and Eastern are not end-on carriers and that to accomplish the interchange either Braniff's routes must be extended from Havana to Miami, or Eastern's from Miami to Havana. The same considerations which compel our favoring a Braniff-Eastern interchange support a finding that the public convenience and necessity require such a route extension. In weighing the relative merits of a Braniff or Eastern extension, we deem the former preferable in view of the greater ease with which operating and customs clearance problems involved in the interchange flights can be handled at Miami rather than Havana. Therefore, we shall dismiss the Board-instituted proceeding insofar as it relates to extension of

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[29] Of a total of 56 passengers moving between these points during September 1950, Pan American carried 26 all the way and 21 to or from Miami, 13 of which traveled over Eastern's route and 8 over National's.

Eastern's route to Havana and deny Eastern's application for similar authority.[30]

[fol. 1510a] In accordance with our previous order limiting the issue of route extension between Miami and Havana to flights for interchange purposes solely,[31] we shall so limit Braniff's authority, and shall also provide that Braniff shall not have the right to operate shuttle schedules between Miami and Havana, or to operate schedules or carry traffic between points on its domestic route and Miami. However, we shall permit Braniff to carry fill-up traffic between Miami and Havana if interchange flights are routed through the latter point.[32] This will, of course, subject National and Pan American to diversion of Miami-Havana traffic, and National from traffic between Havana and the cities on its New York-Miami route. However, since the number of schedules which could be operated daily would be limited, at least initially, to slightly more than one a day,[33] and since at least the northbound schedule would lack departure reliability due to the distances involved from probable point of origin (whether Balboa, or a point south thereof) the extent of such diversion should not be so substantial as to outweigh the other benefits resulting from the extension and the interchange it will accommodate.[34]

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[30] Eastern did not prosecute such application, introducing no evidence in support thereof.

[31] Order Serial No. E-5642, dated August 23, 1951.

[32] We are not unaware of the necessity for obtaining appropriate operating rights from the Cuban government in order to permit the inauguration of Braniff-Eastern interchange services between Miami and Havana. However, even though the possibility exists of some delay in the inauguration of such service, this would not be fatal to the interchange, since the flights could nonstop Havana between Miami and Balboa without debilitating loss of traffic or sacrifice of payload for operational reasons.

[33] In comparison, Pan American, for example, in May 1952, according to the Official Traffic Guide, operated 6 round-trips daily between Miami and Havana, while National operated 3 schedules in each direction between such points and two a day between New York and Havana.

[34] The major possible diversion would be from National's New York-Havana traffic. However, the amount of such diversion should be less than one-half that resulting from the proposed Eastern-Pan

[fol. 1511] It has been contended that it is not in the public interest for the Board to seek inauguration of a Braniff-Eastern interchange in preference to an Eastern-Pan American-Panagra interchange because of the delays which may be encountered in initiating the former over the legal objections of the proponents of the latter. As we have already indicated, we would disapprove the Eastern-Pan American agreement even if we had no alternate choice immediately before us. Thus, the matter of delay in initiating the interchange is not pertinent. Moreover, we seriously doubt whether the air carriers here involved will continue to press for an agreement which the Board, after careful consideration, deems adverse to the public interest.

It has been argued that we are without power to order Eastern to interchange equipment with Braniff at Miami as set forth in the order instituting this proceeding.[35] The argument is based, in part, upon the contention that the proposed interchange will primarily benefit foreign air transportation for which, it is conceded, we have no power to compel an interchange. However, it is clear that an interchange at Miami offering one-plane service between Balboa, C.Z., and Washington, D. C., and New York City will convenience the passengers who would be moving only in overseas air transportation.[36] We deem our authority

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American-Havana interchange since the latter would provide two daily schedules tailored for Havana traffic rather than the South American traffic which would have to be served by an Eastern-Braniff interchange. For similar reasons, especially the much greater number of schedules furnished by the competitive carriers, the Braniff-Eastern interchange would not divert substantial amounts of National's or Pan American's Miami-Havana traffic.

[35] Order Serial No. E-5205, dated March 16, 1951.

[36] It has been contended that even the Balboa passengers are in foreign air transportation because the airport through which Balboa is served, Tocumen Airport, is located in the Republic of Panama rather than the Canal Zone. However, Balboa is the place to which service has been authorized. It is the place which is certificated for service rather than the airport at which the aircraft lands which determines the point being served and therefore the category of transportation involved. The Board has acted consistently with this interpretation for many years.

to compel an interchange for such transportation to be clear.[37]

[fol. 1511a] However, as we have stated on a previous occasion[38] and as supported by our recent experience, we prefer to have the cooperation of the carriers in presenting a voluntary interchange agreement for our approval.[39] Accordingly, we shall keep the record open for 60 days from the effective date of our order to give Braniff and Eastern an opportunity to file with the Board an agreement providing for interchange service at Miami.

We turn now to a consideration of the other interchanges contemplated by the Eastern-Pan American Agreement. These include (1) a New York-Washington-Miami, and Balboa operation, the "Balboa interchange", (2) a Boston, New York, Washington, Miami and Havana one, the "Havana interchange", (3) another between New York, Miami and Nassau, the "Nassau interchange", and (4) one between New York, Washington, Miami, Kingston, Barranquilla, and Maracaibo, the "North Coast interchange". It is argued that these services would afford the benefits of a through one-plane service to the daily traffic of more than 135 southbound passengers, of whom approximately one-half do not now have available such service via American flag carriers. While we consider the improved service which would thereby be offered to the traveling public as a factor to be given considerable weight in determining the question of public interest by which the approval of the agreement is to be tested, there are other considerations which command our support and lead us to disapprove the remainder of the agreement.

Most important of these considerations is the ultimate effect of inauguration of the proposed interchanges on the

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[37] See *Southern Service to the West Case*, Order Serial No. E-5090, adopted January 30, 1951, pp. 26-32.

[38] See *Southern Service to the West Case*, Order Serial No. E-5090, p. 32.

[39] See *Southern Service to the West Case*, Order Serial No. E-5090, p. 48.

competitive status of National in relation to Eastern, especially on the vital New York-Miami route. At present [fol. 1512] National has equal competitive opportunity to participate in the transportation of passengers between the northeast and Nassau, Kingston, Barranquilla, Maracaibo and Balboa. Approximately 40 passengers a day are using American flag service through the Miami gateway between these points. If we assume that National, under normal circumstances, would participate in this traffic to the same extent that it participates in the total traffic between Miami and New York, National would obtain approximately 37%[40] of these passengers or a daily total of about 15 passengers. Consummation of the Pan American-Eastern interchange, providing a daily through service between the points involved, would foreclose National from obtaining any material part of these 15 passengers. Thus, National would be shut off from a market having a realizable value to the carrier of better than $300,000 a year.[41]

And the impact of the Havana interchange would be even heavier, National, operating three through flights a day is carrying approximately 42% of the total northeast-Havana through traffic, or approximately 58 passengers a day in

[40] We recognize that National has not as yet obtained this large a share of the particular traffic here involved. However, the record demonstrates that National is actively promoting its services in this field, and there is no reason to believe that the carrier would not participate in this traffic to the same extent that it participates in the competitive New York-Miami market as a whole. As a matter of fact, Pan American's exhibits show that National's overall share of Pan American traffic to and from Miami in the first six months of 1951 equalled 39%. This compares with a 36% participation in the survey months September-March 1950. While it is true that Grace's stock interest in National may have helped the latter in obtaining Panagra traffic, Pan American's incentive in the later period would be to deliver traffic to Eastern, its newly proposed interchange partner, rather than National, thus tending to balance out the Panagra interest.

[41] If we assume that the average passenger between the northeastern part of the United States and the points involved travels 1,000 miles over National's route (Miami-New York distance is 1,093 miles) and that National's average revenue from such passengers would be 5.5 cents per passenger mile, National would be precluded from a potential market of $301,125.

[fol. 1512a] both directions. Eastern-Pan American propose to operate two daily through services between New York, Miami, and Havana, with one schedule serving Boston, and the other Washington. Inauguration of this interchange would divert approximately 30% of National's present traffic, at a loss to the carrier of better than $400,000 in passenger revenues annually.[42]

Obviously, the diversion of such a large amount of revenues currently being carried by the carrier added to the denial of the normal competitive opportunity to obtain revenues of almost the same size from a comparable market would adversely affect National's competitive relationship with Eastern, particularly in the New York-Miami market. As a matter of fact, the cumulative effect of these interchanges would probably enable Eastern to increase its current schedule superiority over National.[43] This would further weaken National's competitive position and lead to additional diversion of National's revenues.[44]

We do not believe that approving an agreement having such consequences is consistent with our statutory obligation to consider as being in the public interest "competition to the extent necessary to assure the sound development of an air transportation system."

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[42] Assuming that the average passenger between the northeastern part of the United States and Havana travels 1,200 miles over National's routes (New York to Miami is 1,093 miles and Miami to Havana equals 235 miles) and that National's revenue yield is 5.5 cents per passenger mile, National would suffer diversion of $433,620.

[43] Eastern is already operating more than twice as many New York-Miami schedules as National. See Official Traffic Guide, May 1952.

[44] Chicago and Southern also asserts that the diversion of its revenues by a Pan American-Eastern interchange would be substantially greater than an Eastern-Braniff interchange at Miami. Though we do not fully accept the carrier's estimate of diversion, we think that its conclusion is sound, since the Eastern-Braniff interchange would not provide service to these areas where Chicago and Southern is competitive with Pan American.

[fol. 1513] Pan American also argues that unless the Board approves its interchange agreement with Eastern that additional traffic will be lost to foreign flag operators authorized to render single-plane service to New York.[45] While it is true that where foreign flag operators are offering single-plane service, in competition with American flag connecting services, the American services may be at a competitive disadvantage, we do not believe that the desirability of equalizing competitive opportunity for American flag carriers is, in this instance, of sufficient weight to overcome the other disadvantages of this Agreement. There are other avenues available for attaining such competitive equality.

We are also advised by the proponents of the Eastern-Pan American Interchange Agreement that an additional public interest factor to be considered is the relationship between the interchange and the Ferry Flight Agreement under which Eastern operates Pan American equipment between New York and Miami, thus giving Eastern the benefits of increased capacity at low cost, and saving Pan American (and the Government since that carrier is on subsidy) the cost of ferrying aircraft between its New York terminal and its Miami overhaul base.[46] The contention is that if either Eastern or Pan American interchanged with a competitive carrier, this agreement would have to fall, with the loss of the benefits above described. However, [fol. 1513a] National has indicated its willingness to participate with Pan American in this arrangement so that, insofar as the public interest is concerned, no substantial injury need result from a change in the Ferry Flight Agreement. Nor are we persuaded by Pan American's as-

[45] It is also to be noted that certain of the foreign flag operations relied on are those of Pan American affiliates such as Avianca and Cubana.

[46] See Order Serial No. E-4447, adopted July 21, 1950, in which we approved ferry flight agreements between Pan American and both National and Eastern. The present agreement under which Eastern is the exclusive lessee of Pan American equipment, C.A.B. No. 5066, has been submitted for Board approval, but has not as yet received our consideration.

sertion that National is not a responsible contractor and that they cannot rely upon an agreement with National for these purposes. Even were we to accept fully Pan American's position on National's management's disregard for contractual obligations, the mutual benefits of this arrangement are so apparent and desirable that we are convinced that National would participate cooperatively in it.[47]

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Chicago and Southern has again raised the question of whether its application for amendment of its foreign air transportation certificate to include Miami as an intermediate point between New Orleans, La., and Havana, for purpose of providing through service between the Caribbean points served by the carrier and the east coast of the United States by interchange with either National or Eastern at Miami, should be set down for comparative hearing with the Eastern-Pan American Interchange Agreement.[48] Our decision not to consolidate the application in this proceeding was grounded on the fact that since Chicago and Southern had not filed any agreement for such interchange for our approval, we were faced with a prospect of determining difficult issues of fact and policy without the power [fol. 1514] of enforcing our determinations once made.[49] In the circumstances of this case, we do not think it "conducive to the proper dispatch of business and to the ends of justice"[50] to conduct a proceeding involving such substantial

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[47] Having reached the conclusion that the Eastern-Pan American interchange agreement is not consistent with the public interest, we do not find it necessary to consider whether the agreement meets the test of the first proviso of section 408(b) of the Act which enjoins us from approving any lease or operating contract "* * * which would result in creating a monopoly or monopolies and thereby restrain competition or jeopardize another carrier not a party thereto."

[48] See Orders Serial No. E-5635, adopted August 22, 1951; E-5683, adopted September 7, 1951; and E-5906, adopted December 3, 1951.

[49] The Board has authority under sections 404(a) and 1002 (i) of the Act to order interchange in domestic and overseas air transportation but not in foreign air transportation.

[50] Section 1001 of the Act.

burdens on the parties and the Board's staff where we cannot effectuate our decision if the parties do not choose to submit appropriate agreements. In any case, in view of our disapproval of the Eastern-Pan American Interchange Agreement, Chicago and Southern has not been injured by our denial of a comparative hearing on its applications.

For similar reasons, we denied National's request for consolidation of its application for extension of its route to Balboa to make possible an interchange with Panagra at Balboa. We did not have before us an agreement calling for such an interchange, nor did we have power to compel one. It is also to be noted that National may not be affected by our refusal to consolidate such application, if the differences between that carrier and Pan American can be reconciled, and an appropriate agreement on interchange service submitted for our approval.

As already noted (page 5) the foregoing findings were adopted on June 23, 1952, and transmitted to the President. After rehearing pursuant to the President's request, we attempted to bring about, in our decision of March 26, 1954, the establishment of a new, single U. S. Flag carrier in South America, independent of either Pan American or [fol. 1514a] W. R. Grace & Co. and combining the route systems of Panagra and Braniff. Our attempt to create such a competitively effective carrier, as we stated, was predicated upon the demonstrated ineffectiveness of Braniff as a competitor in South America and the dominance by the Pan American system of United States South American air travel. As we stated, our proposal, if effectuated, would bring about a needed one-plane service between the northeastern United States and Balboa and South America and would do so consistent with an important national objective—"the continuation of competitive United States Flag services to South America on an economically sound basis".[51] Although we elicited the cooperation of the carriers toward this end, the effort was unsuccessful.

[51] See reopened *New York-Balboa Through Service Proceeding*, Docket No. 4882, et al., Order Serial No. E-8189, page 7.

Failing in that effort, we are still charged with the responsibility of establishing by alternative means a sound competitive United States air transportation system to South America. In evaluating the various alternatives available to us, we wish to reaffirm our conviction that the attainment of such a sound system requires our disapproval of the proposed Pan American-Eastern interchange. We reiterate our finding that that interchange is not in the public interest and should be disapproved. We recognize that approval of the interchange would result in an immediate benefit to the public from improved one-plane service to the substantial volume of air passenger travel between the United States and the West Coast of South America. However, of much greater importance is the need [fol. 1515] for us to encourage an effective competitor for Pan American in the very important and rapidly growing United States-South American travel market. The need for such competitive service was clearly stated in the *Latin American Service Case* decision which originally established routes for United States Flag carriers to South America.[52] Our action here disapproving the Pan American-Eastern interchange agreement is required if an effective competitor is to be developed in South America.

As shown in the new record developed by request of the President, Pan American's domination of air passenger traffic to and from South America has been steadily increasing. Pan American's traffic from the northeastern United States moving through or over Florida gateways to Latin America increased 53.2 percent from 1951 to 1953.[53] This

[52] *Latin American Service Case*, 6 CAB 857.

[53] See Appendix II, page 4. Carriage of daily southbound air passengers between the northeastern United States and Latin America increased as follows:

Carrier	*Daily Southbound Passengers* *1951*	*1953*	*Percent Increase*
Pan American	48.56	74.40	53.2%
Other U. S. Flag	30.79	44.42	44.3
Foreign Flag	74.08	111.31	50.2
Total	153.43	230.13	50.0

was an increase almost 10 percent greater than that of other United States Flag carriers and about three percent greater than increases for foreign flag carriers.

The continued dominance by Pan American is particularly pertinent when viewed in conjunction with the size of Pan American's South American system. That system—including both Panagra and the Latin American Division of [fol. 1515a] Pan American—generated 33 percent more traffic in 1953 than the next largest U. S. Flag international operation.

Revenue Ton Miles Generated in 1953 by The Four Largest U. S. Flag International Systems

	PAA Pacific	TWA Internat'l	PAA Atlantic	PAA South Amer. System
Rev. Ton Miles (000)	61,274	68,494	93,889	125,023
Percent by which PAA South American System *exceeds* others	104%	82.5%	33.2%	—

Linking by interchange a system of this size to Eastern Air Lines—our largest north-south carrier in the eastern United States—would obviously be inimical to the attainment of effective competition between air carriers serving South America.

Within the United States a somewhat similar picture is presented by the facts adduced in the reopened record. Approval of the Eastern-Pan American interchange agreement would inevitably further increase the competitive disparity between National Airlines and Eastern, the two principal air carrier competitors for north-south air traffic in the Eastern United States. As shown by the following comparison, Eastern's domestic system is approximately four times the size of National's:

Comparative Size of Domestic Systems

Twelve Months ended:	NAL	EAL	Ratio EAL to NAL
Revenue Ton Miles (000)			
March 31, 1951	34,781	157,539	4.53
March 31, 1952	49,428	176,420	3.57
March 31, 1953	58,378	228,165	3.91
March 31, 1954	69,180	266,118	3.85
Total Transportation Revenues (000)			
March 31, 1951	$19,830	$ 83,554	4.21
March 31, 1952	26,02[illegible]	94,823	3.64
March 31, 1953	28,520	120,340	4.22
March 31, 1954	$33,052	$138,178	4.18

[fol. 1516] While we recognize that National's profit position has improved substantially in the last few years, the foregoing table establishes the fact that National's improvement, earnings-wise, has thus far had no appreciable effect on the disparity between that carrier and its principal competitor, Eastern Air Lines.

Of perhaps even greater significance than this overall size comparison is the fact that in the most lucrative market for both National and Eastern Air Lines—New York-Miami—Eastern's participation in traffic has jumped from 46 percent in March 1952 to 59 percent in the first quarter of 1953.[54] From the standpoint of sound competitive development of our air transportation system both within the United States and to and from South America, therefore, we find nothing in the reopened record to cause us to depart from our earlier conclusion that the proposed Eastern-Pan American interchange agreement is contrary to the public interest and must be disapproved.

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[54] See Appendix II, page 9, for the New York-Miami traffic figures during the first three months of 1953. The figures on which we relied in our earlier decision in this proceeding showed Eastern with a 46 percent participation in this market. For a short time thereafter, National was enabled to attain the larger share of New York-Miami traffic since Eastern, faced with an equipment shortage problem, scheduled considerably less coach service than did National.

The reasons for our disapproval of that interchange agreement do not, of course, preclude us from satisfying the need, demonstrated on both the old and the new record, for through plane service between the northeastern United States, Balboa and the west coast of South America. We again find that an Eastern-Braniff interchange would in large part satisfy this need, would bring a new single plane service to Sao Paulo, Rio de Janeiro and Buenos Aires and would bring about more effective competition with Pan [fol. 1516a] American's service between these points and New York. As we found over two years ago, such an interchange would be of real benefit to Braniff in linking that carrier at Miami with Eastern Air Lines' great traffic generating system in the eastern United States.[55]

Most of the significant arguments advanced on the reopened record opposing a Braniff-Eastern interchange were repetitious of those made on the old record, and have already been dealt with.[56] The principal argument directed against such an interchange is that diversion of traffic and revenues from Pan American's South American system will inevitably result. We recognize this possibility, but we here reaffirm our belief that any adverse effects upon the Pan American system will be minimized by the greater overall volume of traffic which should be generated by a more effective competitive through plane service to South America.

Opponents of a possible Braniff Eastern interchange have made a major point on the new record of the unfavorable aspects of Braniff Airways' operating results on its South American route. They have emphasized the Board's responsibility to limit airline subsidy mail payments, claiming that a proper discharge by the Board of this responsibility requires that we limit rather than expand the competitive opportunity of Braniff Airways. The claim is made that the operating results of that carrier for the past three years, following its extension under exemption authority to Miami, and its resulting increased need for federal subsidy support, establish the wisdom of con-

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[55] See pages 13 to 19, *supra*, for more detailed discussion of the benefits of an Eastern-Braniff interchange.

[56] See pages 17 to 20, *supra*.

fining Braniff Airways' international system to its former [fol. 1517] Houston-New Orleans-Havana route to South America (excluding Miami) and of disapproving any interchange agreement, voluntary or otherwise, between Eastern and Braniff. It is claimed that such a course of action, which would leave the bulk of United States-South America air travel to the Pan American system, would lead to further reductions in federal mail pay subsidy support.

We recognize that since Braniff has been attempting to develop United States-South American air travel through its connections with National and Eastern at Miami, the mail pay need of Braniff has substantially increased. The record demonstrates that since Braniff has been operating to and from Miami, the South American air travelers over its system have been developed primarily through its own efforts rather than through the cooperative efforts of either National or Eastern.[57] This is entirely understandable since those carriers have had every reason to utilize Pan American as their connecting carrier at Miami. The Pan American system's extensive coverage of South American markets, the existence of the Pan American-Panagra Through Flight Agreement and the flights operating under that agreement, their use of DC-6 aircraft as compared to Braniff's DC-4 equipment—have all made the connecting services of Pan American and Panagra at Miami more attractive to both National and Eastern than those of Braniff [fol. 1517a] Airways. Aside from these matters, there is the additional fact that at various times during the past several years both Eastern and National have made it plain that they would prefer Pan American rather than Braniff as an interchange partner for South American air travel.

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[57] As the Examiner found in his second Recommended Decision served November 13, 1953, at page 38: ". . . However, what Braniff did not realize was that National and Eastern would continue to deliver substantially all of their traffic to Pan American and Panagra as reflected by data of record which show that in March 1953, 87 percent of the traffic carried by Eastern between New York and Washington, on the one hand, and points in South America served by Panagra and Braniff was carried on Panagra south of Miami and 13 percent traveled on Braniff; in the same month, 83 percent of the similar traffic carried by National was turned over to Panagra and 17 percent over to Braniff."

We do not cite these factors with a view to relieving Braniff Airways' management from responsibility for the amount of its subsidy need. To do so would prejudge the mail rate proceedings presently under way which involve determination of mail pay for past periods for Braniff. We cite the foregoing matters, however, simply to indicate that Braniff's lack of success in its present connecting service to and from Miami does not necessarily have any long-run significance as to the much greater success it would enjoy if its flights to and from Miami were to be operated under an interchange agreement with Eastern. With each party to that agreement actively soliciting air travel from various points on its own system, through Miami, to points on the other carrier's system, we have no doubt that entirely different operating results than those experienced by Braniff to date would be obtained, with substantially less dependence for that carrier upon subsidy support.

Aside from these factors, there is no merit in Pan American's contention that strengthening Braniff will ultimately result in increasing the overall subsidy for U. S. Flag South [fol. 1518] American carriers.[58] It is our belief that, by strengthening Braniff as an effective competitor, the overall air travel volume will increase. We expressed this belief two years ago in our original decision in this case (*supra* p. 15) and we take this opportunity to reaffirm it. If a substantial increase in air traffic and revenues *does* result, then

[58] The trend of subsidy support for these carriers has continued to increase, and as we have stressed on numerous occasions that unfortunate trend is of serious concern to us.

Dollars of Subsidy Mail Pay Support (000)

Carrier	*Fiscal Years Ended June 30:* 1951	1952	1953	1954	1955
(1) Braniff Airways (Int'l.)	$1.999	$2.173	$2.010	$2.557	$2.179
(2) PAA-LAD	4.910	8.599	11.110	11.344	11.485
(3) Panagra	1.206	1.726	2.177	2.174	2.209
(2) + (3) PAA-South American System	$6.116	$10.325	$13.287	$13.518	$13.694

Source: Report on Service Mail Pay and Subsidy for U.S. Certificated Air Carriers, CAB, Sept. 1954.

it is reasonable to conclude that economical load factors can be maintained by *all* of our carriers serving South America.

However, even if overall traffic volumes do not increase substantially, air service capacity can and should be reduced so that an economic load factor will be obtained. We hereby stress the need for a careful monitoring, by all carriers, of schedules and services to be flown to South America, for we have been forced several times in the past to refuse to underwrite with subsidy support large amounts of excessive capacity operated by the South American system of Pan American.[59] The substantial amounts—more than $4,000,000—of needed mail pay claimed which we have disallowed from the mail rates of both Pan American and Panagra because of overscheduling indicate the seriousness of the capacity problem. Because this is such a serious prob- [fol. 1518a] lem, we take this opportunity to caution the carriers against a repetition in the future of such overscheduling—ostensibly to meet the more effective competitive role which we have herein indicated for Braniff.[60]

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[59] *Pan American World Airways, Inc., Latin American Division*, Statement of Provisional Findings and Conclusions, Docket No. 3308, adopted June 5, 1953, Order Serial No. E-7441; *Pan American World Airways, Inc., Latin American Division, Mail Rates*, Docket No. 3308, Order Serial No. E-4052, April 11, 1950 (Order to Show Cause, page 2), finalized by Order Serial No. E-4110, April 28, 1950; reaffirming policy in Order Serial No. E-2753, April 29, 1949, finalized by Order Serial No. E-2854, May 24, 1949. *Pan American-Grace Airways, Inc.*, Statement of Provisional Findings and Conclusions, Docket No. 2755, adopted June 27, 1952, page 6.

[60] Only recently we have had occasion to reiterate our policy against overscheduling because of its obvious effect in increasing federal subsidy. As we stated just a few months ago:

> "There is a large area in which management may take action which will check the increasing dependency on subsidy. Among the more readily controllable factors reflected in a carrier's operating results is the number of flight schedules. Accordingly, the Board expects management to examine, with the utmost care, the productivity of each and every schedule in order not to place an unreasonable burden on the Government." *Piedmont Aviation, Inc., Mail Rates*, Docket No. 6363, Supplemental Order to Show Case, Order Serial No. E-8587, adopted August 27, 1954, page 3.

In order to accomplish the Braniff-Eastern interchange which we have found required by the public convenience and necessity on both the old and new record, we recognize again (as already pointed out, *supra*, p. 17) that since these two carriers do not have end-on systems, one system must be extended to join the other. We hereby reconfirm, therefore, our earlier finding that the public convenience and necessity require the extension of Braniff from Havana to Miami. In support of this finding we cite, among other facts of record, the Examiner's conclusion, made upon the reopened record, (see Appendix II page 11) that the "difficulties experienced by through passengers demonstrates that, if Braniff is to participate in any interchange to provide through-plane service, the interchange point should be Miami instead of Havana". We also hereby reconfirm our earlier finding (*supra*, page 18) that Braniff's flights between Miami and Havana shall be confined to flights for [fol. 1519] interchange purposes only; thereby reducing their diversionary effect from National and Pan American to a minimum.[61]

As to the other interchanges contemplated by the Eastern-Pan American agreement, we note that the new record contains minor amendments affecting the financial supplement to the agreement, the plan of operation and the proposed schedules under the interchange. After examining these changes, we conclude that they are minor in nature and do not alter our previous conclusions (set forth on pages 22-24 *supra*) that these proposed interchanges are not in the public interest and must therefore be disapproved. However, we recognize that there is a substantial air travel volume which would be benefited by through-plane service between the northeastern United States, on the one hand, and those points sought to be served in the Caribbean area on the other—by the "Nassau", "North Coast" and other

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[61] The Examiner found on the reopened record that no new contentions had been advanced as to the Board's power to compel interchanges to Balboa. We have already set forth our conclusions on this issue (*supra*, pages 19, 20) and we again decide that the record will be kept open for 60 days from the date of our order to give Braniff and Eastern an opportunity to file with the Board an agreement providing for interchange services at Miami.

interchanges included in the Eastern-Pan American agreement. It may be that National and Pan American will be interested in providing such a service in view of the other findings which we had made in this decision. Since we are impressed with the volume of traffic to be served, we would look with favor upon proposals, designed to meet this demonstrated need, which National and Pan American may wish to present to us.

There is still before us the Pan American-Panagra Through Flight Agreement and the Panagra-National inter- [fol. 1519a] change agreement. As we stated in our tenative decision of March 26, 1954, the decision on these two agreements is closely related to other important matters affecting the future course of air transportation development between the United States and South America.[62] Consistent with other conclusions already reached in this decision, we find that the predominance of Pan American's South American system would require us to disapprove the Pan American-Panagra Through Flight Agreement unless that agreement were so conditioned as to preserve effective competition among our carriers in the United States-South American market. We therefore find that the Pan American-Panagra Through Flight Agreement should be approved upon the condition that all flights operating between Miami and Balboa pursuant thereto shall be through flights to and from New York operated between Miami and New York over the route of National Airlines. Such a condition, we feel, will provide improved air service for United States-South American air travelers, and will also foster a more balanced air transportation system between New York and Miami. In order to give the carriers time to agree upon such an arrangement, we shall keep the record open for 60 days from the effective date of our order to provide an opportunity for the submission of the necessary revised through flight agreement between Pan American and Pan-

[62] *New York-Balboa Through Service Proceeding*, Docket No. 4882, *et al.* Decided March 26, 1954, Order Serial No. E-8189.

agra including an interchange agreement between these carriers and National Airlines.[63]

With respect to the period for which we would approve the Through Flight Agreement, we would ordinarily be inclined to grant such approval until 1960, as requested by the applicants. However, we cannot overlook the presence of the antitrust proceedings recently instituted by the Attorney General at our request against Pan American, Pan-[fol. 1520] agra and W. R. Grace & Co. The final outcome of this litigation cannot now be determined, but the ultimate result of the litigation may have a bearing upon the advisability of continuing our approval of the Through Flight Agreement. Accordingly, if the Through Flight Agreement is appropriately supplemented for operations to and from New York, we will approve such agreement until 1960, with the proviso that if the antitrust litigation is finally concluded prior to 1960, such approval shall terminate 90 days after the effective date of a final order (other than an order of dismissal) disposing of the antitrust litigation. We will also provide that upon the effective date of such order in the antitrust litigation the proceedings herein shall be automatically reopened for the purpose of determining whether such approval of the Through Flight Agreement shall be extended, modified or terminated.

Upon consideration of the foregoing matters and all the facts of record, we find:

1. That the agreement dated January 27, 1951, between Eastern and Pan American to provide through-plane service between points on Eastern's route No. 6, on the one hand, and points on Pan American's Latin American routes and on Panagra's, on the other, is not consistent with the public interest, and should be disapproved;

2. That the provision of through service by interchange between Eastern from New York via Washington to Miami and Braniff from Miami to Balboa and points on Braniff's route in South America is in the public interest, and that

[63] In the light of this decision, it is not necessary for us to pass at this time on the application for approval of the Panagra-National interchange agreement.

Eastern and Braniff should be given an opportunity to enter into and submit for approval of the Board within sixty days of the effective date of our decision herein, an agreement providing for such through service by interchange;

[fol. 1520a] 3. That decision on the Board-instituted proceeding in Order Serial No. E-5205, adopted March 16, 1951, with respect to a compulsory interchange between Eastern and Braniff should be deferred.

4. That the public convenience and necessity require the amendment of Braniff's South American certificate to authorize service between the terminal point Miami, Florida, the intermediate point Havana, Cuba, and the terminal point Balboa, C. Z., subject to the conditions set forth in paragraph 5 below.

5. That Braniff should render service pursuant to the authorization specified in paragraphs 2 and 4 above, only on through plane flights (a) which are operated by interchange of equipment between Braniff and Eastern, (b) which originate at New York, N.Y./Newark, N. J., and terminate at Balboa, C. Z., or points south thereof or originate at Balboa or a point south thereof and terminate at New York, N.Y./Newark, N. J., and (c) which do not serve points north of Miami, Florida, on Eastern's route No. 6 other than points on the Miami-New York/Newark segment of said route.

6. That decision on the application for approval of the Through Flight Agreement between Panagra and Pan American in Docket No. 3787, and the National-Panagra Interchange Agreement in Docket No. 3785 should be deferred for the reasons hereinabove noted; and that National, Pan American and Panagra should be given an opportunity to enter into and submit for approval of the Board within sixty days of the effective date of our decision herein, an agreement providing for through service between New York on National's route No. 31, and Balboa and points on Panagra's route in South America using Panagra's equipment north of Balboa.

[fol. 1521] 7. That the proceeding herein should be held open insofar as necessary to effectuate the conclusions herein reached.

8. That to the extent that the proceedings instituted in Order Serial Nos. E-5205, adopted March 16, 1951, and E-5389, adopted May 18, 1951, are inconsistent or are in conflict with the actions taken herein, such proceedings should be dismissed.

9. That, except to the extent granted, dismissed or deferred herein, all applications, petitions and motions consolidated in this proceeding should be denied.

Appropriate orders will be entered.[64]

Gurney, Chairman, Lee and Adams, Members of the Board, concurred in the above opinion. Denny, Vice Chairman, and Ryan, Member, filed the attached concurring and dissenting opinions.

[fol. 1522] DENNY, Vice Chairman, Concurring and Dissenting:

I concur with the opinion and decision of the majority herein with respect to the disposition of the application of Pan American and Eastern for approval of a New York-Miami-Balboa interchange, and also with the findings that New York-Balboa interchanges by the combinations (1) Eastern and Braniff, and (2) National and Pan American (Panagra) would be in the public interest. I also agree with the conclusion that the approval of the Eastern-Pan American interchange proposal for New York-Miami-Havana service cannot be found to be required at this time.

With respect to the remaining two interchanges proposed by Eastern and Pan American (1) New York-Miami-Nassau, and (2) New York-Port-au-Prince-Jamaica-Maracaibo-

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[64] For the purposes of Order Serial No. E-5542, adopted July 13, 1951, which in effect authorized Braniff to serve Miami, Florida, as the northern terminal of its South American route, the orders attached hereto do not constitute the final order in this proceeding. Accordingly, Braniff's exemption authority to serve Miami, Florida, will continue in effect following issuance of the order accompanying this opinion.

Barranquilla, I agree with the conclusions and reasons set forth in the opinion of Member Ryan which would favor the present approval of such operations.

/s/ HARMAR D. DENNY

[fol. 1523] RYAN, Member, Concurring and Dissenting:

I agree with the majority that the interchange agreement of Pan American and Eastern for the provision of through service between New York and Havana should be disapproved because the facts of this record establish that additional American flag competition for National Airlines in this market would be uneconomic and wasteful. I disagree with the present decision to dispose of the New York-Balboa interchange proposals at this time, and I would favor deferment of any action on these proposals until the uncertainties that now enshroud our South American route pattern can be resolved.

I am also in disagreement with the decision to disapprove the voluntary argeement of Pan American and Eastern to provide single plane through service in the Nassau and North Coast markets,[1] a decision which, in my judgment, abandons the United States traffic in these markets to foreign air carriers. It seems to me that the fundamental mistake made by the majority in its treatment of these two interchanges results from its assumption that all four proposals of Pan American and Eastern must be dealt with as a single package. Each of the four interchange services should be considered on its own merits. Even a cursory examination of the facts reveals that they are not interdependent facets of one structure, but are separate and independent proposals. The only points of similarity are the identity of the parties and the fact that each of the four would utilize aircraft routed over the New York-Miami segment of Eastern's domestic system. There the similarity ends.

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[1] Nassau Interchange: New York-Nassau. North Coast Interchange: New York-Port-au-Prince-Jamaica (Kingston and Montego Bay)-Maracaibo-Barranquilla.

Considering first the New York-Havana interchange proposal of Eastern and Pan American, we find that, although United States flag carriers are carrying better than 80 [fol. 1523a] percent of the New York-Havana traffic through the nonstop operations of National or by connecting service at Miami, the direct traffic between New York and Havana to date has been able to support only one round trip flight daily by National. National's nonstop operations have been conducted with a revenue passenger load factor of only about 48 percent. In addition, National must compete in this market with LAV, the Venezuelan carrier, and Aerolineas Argentinas, and it can be anticipated that Cubana will be added as a third foreign nonstop operator within the near future. In view of the marginal character of National's present services and the competition provided by the foreign carriers, it is very clear that the authorization of an additional single plane service would mean uneconomic and wasteful competition. I concur, therefore, in the decision to protect National's certificated service against diversion by an Eastern-Pan American interchange.

Let us now turn to the proposed interchange service between New York and Balboa and points south. Here the Board is confronted with a most difficult and complex problem, for it is in this area of the west coast of South America that the unnecessary and wasteful duplication of facilities and services of U. S. flag carriers is most acute. To evaluate the majority's present decision, reference must be made to the facts constituting the background for our present problem.

I have previously pointed out[2] that the deficiencies which characterize our South American air pattern stem from the *Latin American* decision of 1946, through which the operations of a third U. S. trunkline carrier were established into the South American market. That duplication has proved to be a costly and uneconomic one, as the Board's recent interim opinion in the present case, issued [fol. 1524] on March 26, 1954, makes clear. The vast traffic

[2] Concurring Opinion, Opinion and Order No. E-8189, dated March 26, 1954.

potential foreseen by the 1946 decision simply has not materialized; cabotage rights, which constituted an important source of traffic for U. S. flag carriers in 1946, have been terminated; and the competition offered by foreign air carriers, which was negligible in 1946, has grown in strength and volume to the point where foreign air carriers now transport approximately 48 percent of all the traffic between the United States and Latin America.

The net result of the situation thus created has been a rising tide of subsidy which gives the Board deep concern today. Thus Pan American, which eight years ago realized an annual operating profit of over $2,000,000 on its then self-sufficient operation in South America, requires an annual subsidy of over $11,000,000 for its Latin American division. Panagra, which eight years ago required $963,000 of subsidy from the government, now requires over $2,000,000. And the cost of the Braniff operation has risen from $563,000 in 1948 to a present subsidy need of over $2,000,000. The total mail pay subsidy requirement for Pan American's Latin American Division, Panagra and Braniff was approximately $15,000,000.

The Board recognized the seriousness of the problem when, by its March 1954 opinion,[3] it deferred decision on the present interchange proposals in order to allow the interested U. S. flag carriers to formulate a voluntary plan compatible with the Civil Aeronautics Act for the accomplishment of desirable route realignments. It is apparent that the Board contemplated the emergence of a new and independent carrier from the present routes and facilities of Braniff and Panagra—a carrier that would be completely divorced from any interests or control by Pan American and W. R. Grace and Company. The Board took note of the paralleling routes of Braniff and Panagra, and in its [fol. 1524a] opinion emphasized the Board's "determination to take such action as will further the national policy directed toward reducing the burden of airmail subsidy payments."[4] *The Board declined to take action on the instant*

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[3] Opinion and Order No. E-8189, *supra*.

[4] Opinion and Order No. E-8189, *supra*.

Pan American-Eastern proposals because it felt that it would be inappropriate to do so "until we (the Board) resolve appropriately the basic question as to the future of U. S. flag competitive services in South America." [5]

In its opinion, the Board also alluded to the recent institution by the Attorney General of an anti-trust suit against Pan American, Grace, and Panagra, which is designed to compel by court decree an involuntary divestiture by Pan American and Grace of all of their interests in Panagra and thereby to recreate Panagra as a totally independent competitive force in South America. It was apparent from this opinion that the Board entertained the hope and intended to encourage action by Pan American and W. R. Grace which would constitute Panagra an independent carrier and pave the way for the consolidation of Braniff and Panagra, thus reducing our U. S. carriers serving South America from three to two. It was also clear from the opinion that the Board was resolved to hold up action on the Balboa interchange proposals until the future status of U. S. flag carriers in South America would be determined.

The expectation of the Board was frustrated when the parties failed to accept the Board's suggestion for a reduction in the duplication of U. S. carrier facilities in South America which would make possible a substantial reduction in the federal subsidy. Meanwhile the Attorney General's suit is still pending.

[fol. 1525] Confronted with these facts, what action does the Board now propose? The short and direct answer is that, instead of maintaining the *status quo* until the decision in the Attorney General's suit is given an opportunity to clarify the situation, the Board now embarks on a course of action which undertakes to compound the duplication of services that plague our American flag network in South America.

The west coast of South America, which is the area of concern involved in the proposed interchange services be-

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[5] Opinion and Order No. E-8189, at p. 10. All emphasis appearing herein has been supplied unless otherwise indicated.

tween New York-Balboa and points beyond, is provided with paralleling service by Braniff and Panagra. It is the weakest traffic generating area being considered in this proceeding, for it produces only 40 passengers per day in each direction to and from the Northeastern United States, or 13 percent of the traffic for which the Board could provide single plane service in this case. The majority now proposes to disapprove the only voluntary agreement before it for service to Balboa and beyond, that of Pan American and Eastern, in favor of an invitation to Braniff and Eastern to provide the service. It would also condition approval of the Pan American-Panagra Through-Flight Agreement upon the admission of National into an interchange arrangement with those carriers—an interchange which would serve the same general area as that served by Eastern and Braniff.

If, then, the majority's decision is accepted and is carried out, it will result in the creation of two interchange services to serve that total of 80 passengers daily. This the majority would now do notwithstanding the fact that the Board has recently reaffirmed its determination not to permit more than one interchange service for Miami-West Coast traffic, a market producing 30 percent more traffic than that with which we are here concerned.[6] I find it impossible to reconcile such a decision with the majority's concern for the future of Braniff or with the intention expressed by a [fol. 1525a] unanimous Board in this proceeding just eight months ago "to take every practicable step, consistent with the mandate of our statute, to eliminate uneconomic aspects of our air route pattern and *to prevent the establishment of any new situations of that character.*"[7]

It also seems to me that approval of an Eastern-Braniff interchange is inconsistent with the Board's decision concerning the proposed Pan American-Eastern interchange operation between New York and Havana. Since Havana is a point on Braniff's South American route an Eastern-

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[6] *Reopened Southern Service to the West Case*, Opinion and Order No. E-8466, June 25, 1954, p. 13.

[7] Opinion and Order No. E-8189 *supra*, at p. 4.

Braniff alignment would make possible New York-Miami-Havana interchange service, the same type of operation which the Board is denying to Pan American and Eastern. Although the majority undertakes to limit somewhat the competitive effect of such an operation by requiring any service to be conducted as a part of a through flight to Balboa and beyond, and by limiting Braniff's authority to the carriage of fill-up traffic between Miami and Havana, the Board would, nevertheless, be providing competitive service in an area where the available traffic will not support limited competition.

The treatment given to the Through-Flight Agreement under which Panagra operates over the tracks of Pan American between Balboa and Miami is, in my judgment, particularly inappropriate and unjustified. The majority apparently is not satisfied with merely dictating an Eastern-Braniff interchange and maintaining the existing Panagra-Pan American service between Miami and Balboa. *It goes further and threatens Panagra with expulsion from the United States unless Pan American and Panagra become full-fledged members of National's team.* Thus does the majority summarily dispose of an agreement the Board approved seven years ago and specifically found to be "beneficial to the public."[*]

[fol. 1526] There can be no doubt that the Through-Flight Agreement has been of substantial benefit both to the carriers concerned and to the traveling public. By reason of its existence, Panagra has been able to solve some of its overhaul, maintenance and personnel morale problems and has achieved a substantial increase in traffic. At the same time, Miami and the connecting traffic which it serves have been able to obtain the advantages of through single plane service with substantial time savings. Over the years the air traveller has come to rely on the present arrangement as an accepted feature of South American service through the Miami gateway.

Such conditioning of further approval of the Through-Flight Agreement places the Board, it seems to me, in an

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[*] *Pan American-Panagra Agreement*, 8 CAB 50, 61 (1947).

indefensible position. If Panagra and Pan American elect to acquiesce in the Board's wishes and enter into an interchange agreement with National, the Board will have created two interchanges where one, at most, is justified by the available traffic. If Panagra refuses, it will be expelled from the United States and it will be subjected to an economic strangulation which could only result in a substantial increase in that carrier's dependence upon the federal treasury for financial support. This latter consequence would come as no surprise to the majority, for in the March opinion, the Board said that "if Panagra were to be deprived of its present access to Miami, especially if Braniff were to have such continued access, either under the present terms or by approval of some interchange agreement, Panagra's economic condition would rapidly deteriorate."[9] The alternatives posed by the majority decision, therefore, constitute an uneconomic and wasteful duplication of service, on the one hand, and an unjustifiable threat to the federal treasury on the other.

[fol. 1526a] What has been said so far presupposes, of course, that there will be some disposition on the part of one or both of the interchange teams which the majority contemplates to follow the dictates of the present decision. Being realistic, however, it is more probable that the net result of the majority's decision will be to deny the public the benefits of any new single plane through service to South America, at least insofar as its provision is dependent upon the voluntary cooperation of the parties. This record makes it clear that both Eastern and Pan American have been emphatic in expressing their unwillingness to enter into any voluntary arrangement with Braniff and National, respectively. Should this attitude on the part of the parties prevail, as we have every reason to believe it will, the Board, at the conclusion of the sixty-day period allowed by this decision for voluntary submissions, will be faced with the question of whether it should by order undertake to compel the operation of through service by Eastern and Braniff.

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[9] Opinion and Order No. E-8189, *supra*, at p. 9.

Any such course of compulsion would be fraught with difficulty.[10] The Board would be required to reconcile its decision with the express finding of the examiner that "the record does now show that the need for such service is sufficiently great to warrant ordering performance of through plane service between New York and Balboa by a reluctant party."[11] But if the Board brushed aside this hurdle, and chose to order a compulsory interchange, it would, at best, be providing new single plane service for a maximum of eighty passengers per day while denying such service to over three times that amount of traffic traveling between the northeastern United States and the Caribbean [fol. 1527] and the north coast of South America which today has single plane service only by foreign carriers. A combination of Eastern and Braniff could not possibly accommodate these latter passengers since only Pan American serves these areas. Sealing the control of foreign operators in these markets and surrendering the United States traffic to foreign airlines does not seem to me to be a sound solution of the problem.

Thus, it seems clear that the majority's plan offers no panacea for the ills of our South American route pattern, but rather it holds out the very real probability of aggravating the situation. The difficulties inherent in the plan convince me that the public interest would best be served by deferring further action on the New York-Balboa interchange problems until the South American picture has been clarified. A determination of the proper pattern of service to Balboa and beyond is inextricably entwined with the deficiencies of the present uneconomic route structure, and the Board cannot answer one intelligently without providing the solution for the other. It is unlikely now that the problem is susceptible of satisfactory solution until the pending legal action has run its course. From the standpoint of the existing flag carriers deferment now would have the distinct advantage of maintaining the *status quo*

[10] See *National-Eastern Interchange Agreement*, Opinion and Order No. E-6106, February 11, 1952. *Twin Cities-Los Angeles Case*, Opinion and Order No. E-6831, September 25, 1952.

[11] Examiner's Recommended Decision, November 13, 1953, p. 77.

without further entanglement of their competitive relationships until areas of uncertainty as to their future can be removed.

Turning now to the remaining two interchanges proposed by Pan American and Eastern, namely, the Nassau interchange and the North Coast interchange, we are confronted with a vastly different factual situation on the present record. In the case of both of these interchanges, the Board has no alternative available to it in the present case; [fol. 1527a] it can provide through service in this proceeding only by approving the voluntary interchanges submitted by Pan American and Eastern. No other interchanges for these routes were in issue in this case and the Board would be without statutory power to compel a different interchange for these two routes since foreign and not overseas air transportation is involved. Therefore, if the facts of record establish that new single plane service is needed in either of these markets, the Board cannot now provide them except by approving the existing voluntary interchanges proposed by Pan American and Eastern. The combination of National and Pan American as an alternative to the presently proposed interchanges is not only hypothetical and speculative; it is, for reasons already stated, wishful thinking. And it is not an issue in this case.

In appraising the effect of an approval of the two remaining interchanges, we are not confronted with any question of duplicating U. S. flag carrier services. Nor are we faced with any problem of granting additional protection to Braniff, as we are in the New York-Balboa situation. Despite the clear factual differences here from the circumstances presented by the Havana and Balboa interchange proposals of Pan American and Eastern, and in spite of the sizeable United States traffic in the Nassau and North Coast travel markets now provided with direct service exclusively by foreign carriers, the present decision disapproves the voluntary agreement of Pan American and Eastern to serve these areas. Thus, the majority, although possessing no lawful power to order an interchange between Pan American and National which would provide single plane service between New York and Nassau and

between New York and Port-au-Prince, Jamaica, Maracaibo and Barranquilla, herein effect decrees that neither Eastern nor National shall participate in these markets rather than permit Eastern to join with Pan American in competing [fol. 1528] with foreign air carriers for the traffic.

The decision of disapproval rests in large measure upon the assumption that National Airlines needs additional protection in its competition with Eastern on its New York-Miami route, which route would constitute the northern segment of the two proposed Eastern-Pan American interchange services. The majority's solicitude for National might be justified if the facts established that National was in any danger of being eliminated as an effective competitor of Eastern. Quite the opposite is true, however. The record makes it abundantly clear that National does not need any such protection in its competition with Eastern and that the majority's assumption to the contrary is totally lacking in substance.

The majority seeks to establish that National is under some great disadvantage in its competition with Eastern. But let us examine the facts. Set forth in Appendix A are data which depict the competitive trend in National's position beginning with September 1949, the first survey month following National's recovery from two financially devastating strikes, and concluding with September 1953. These data indicate that even in the fall of 1949, National was an effective competitor. More recently it has battled on even terms with Eastern, and during some periods has actually outcarried Eastern on the New York-Miami route. Certainly the foregoing facts preclude the conclusion that National is in any grave danger of being eliminated as an effective competitor of Eastern.

Not only is National presently providing effective competition for Eastern in this New York-Miami market but the through traffic to all points involved in the two interchanges in question represents but a minute portion of the traffic for which National and Eastern are competing. For example, during March 1953, the total traffic between New

York and the points involved in the Nassau interchange [fol. 1528a] and the North Coast interchange was 1737 passengers. During the same month, National and Eastern carried 71,993 passengers between New York and Miami alone, so that the total traffic involved in the Nassau and North Coast markets was the equivalent of only 2.4 percent of the New York-Miami passengers for which the two carriers compete. It is also significant that there are presently about 117 passengers daily in these foreign markets but only about 32 travel by U. S. flag carriers because foreign carriers are now providing single plane service to these areas. The better than two-thirds monopoly which the foreign carriers already enjoy will soon be almost 100 percent if our American carriers continue to be unable to provide single plane service.

Since the alleged potential represents less than 2.4 percent of the competitive traffic of National and Eastern, it would be far better to have Eastern obtain the revenue than to abandon it to foreign carriers. Surely this small amount of traffic will not affect National's survival in its competition with Eastern. The present disapproval of the Eastern-Pan American through service in this market does not insure this traffic for National; it merely abandons the traffic to a foreign air carrier.

Furthermore, we have a duty to consider the need of the traveling public for such through service, not just the needs of the competing carriers. The existing traffic between New York and Nassau is approximately one and one-half times as large as the traffic to Balboa and points south and clearly needs American-flag single plane service to compete with foreign competition.[12] Pan American is the only

[12] National's entry into Washington, D. C., was granted by the Board to enable National to compete with a foreign carrier providing service from Havana to New York via Washington. The Board's decision stated "we believe that it is of considerable importance that a U. S. air carrier should be in a position to compete on an equal basis with foreign companies for the Washington-Havana traffic, the greater part of which is generated in the U. S." *Middle Atlantic Case*, 9 C.A.B. 131 (1948).

American-flag carrier between Nassau and Miami and, [fol. 1529] therefore, ~~can~~ harm no other American-flag carrier if it is granted the right to offer single plane service in conjunction with Eastern. *It is a strange American doctrine which dictates the disapproval of the only single plane service offered and thereby transfers the American flag traffic of our own international air carrier to a foreign air carrier solely to prevent one domestic air carrier from obtaining a small and insignificant traffic flow advantage over another domestic air carrier.*

Everything that has been said about the New York-Nassau market can equally well be applied to the New York-Port-au-Prince-Jamaica-Maracaibo-Barranquilla markets: The available traffic is more than double that involved in the New York-Balboa interchange and the only existing single plane services are by foreign carriers. Authorization of an American-flag single plane service would provide better service to the public, would increase the American flag participation in the markets, and would have no significant effect on the Eastern-National competitive situation. It would also permit our American carriers to recoup at least a part of the $3,000,000 in revenues being lost to foreign carriers annually in Latin America.

The only other point advanced against approval of these two Pan American-Eastern proposals is the so-called divided allegiance argument.[13] It is said that Eastern will not cooperate fully with Braniff on the New York-Balboa service if it is cooperating with Pan American elsewhere. The Board has never before given this argument weight where the interests were not in the same markets. Thus, for example, Braniff and Continental, who are vigorous

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[13] The majority points to the service now operated by Pan American between New York and Maracaibo as substantial conflict. Exhibits PA-1106 and PA-1107 show this traffic to amount to 4.61 southbound passengers per day and show that foreign carriers obtain about 80 percent of the traffic to Jamaica, Colombia, and Venezuela, including Maracaibo. Since the Miami routing would be shorter than Pan American's present service it is unlikely to present any serious problem.

competitors in the southwestern United States, cooperate in [fol. 1529a] providing interchange service between Denver and St. Louis; TWA and Braniff compete between Kansas City and Chicago and yet a majority of the Board has approved an interchange arrangement for service by these carriers between Houston and the west coast;[14] and two of the very carriers involved here, National and Eastern, who are the staunchest of competitors on the New York-Miami route, would be permitted by the Board to provide interchange service between Miami and Houston.[15] In view of the past actions of the Board an adverse decision upon the two Eastern-Pan American interchange proposals presently before us based upon such an assumed conflict can hardly be considered impressive.

SUMMARY

In this case we are required by law to approve each interchange unless, upon substantial evidence of record, we can find that the approval would be "adverse to the public interest."[16] The record clearly shows that the Board's conclusion to disapprove the interchange proposed by Pan American and Eastern in the New York-Havana market is supported by substantial evidence in view of the marginal character of National's present operations and the degree of foreign competition to which it is subjected. In my opinion the evidence is equally convincing that the broader considerations inherent in determining the public interest require deferment of any action on the New York-Balboa proposals at the present time.

[fol. 1530] On the other hand, this record shows that the effect of the approval of the Nassau and North Coast interchanges upon National Airlines in its competition with Eastern on the New York-Miami route would not be

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[14] *Reopened Southern Service to the West Case*, Order No. E-8705, dated October 14, 1954.

[15] *Reopened Southern Service to the West Case*, footnote 5: see also Opinion and Order E-7988, December 22, 1953.

[16] Sec. 412.

substantial and, therefore, cannot be the basis for a conclusion that approval of these two interchanges would be adverse to the public interest. These two interchanges would offer through single plane service to traffic flows significantly larger than those involved in the New York-Balboa interchange and these benefits cannot otherwise be obtained since the Board would be without statutory power to compel other and different interchange combinations to accomplish the same benefits. The inevitable result, therefore, of the Board's denying Pan American the opportunity to participate in single plane service between these points in the Caribbean and the northeastern United States will be to benefit its foreign air competitors at the expense of American-flag carriers.[17]

/s/ Oswald Ryan

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[17] Both domestic and international carriers will bear this expense. Every passenger between New York and Nassau, Port-au-Prince, Jamaica, Maracaibo and Barranquilla that is diverted from Pan American's connecting service via Miami to a foreign carrier single plane service will reduce the revenue not only of Pan American but of either Eastern or National over the domestic portion of the trip.

[fol. 1531]

APPENDIX A

Comparison of Competitive Relationship between Eastern and National as indicated by New York-Miami traffic.

New York-Miami Traffic Total		% of Combined
Sept. 1949 (O&D)		
EAL	7,101	64.0
NAL	4,023	36.0
March 1950 (O&D)		
EAL	25,608	66.1
NAL	13,236	33.9
Sept. 1950 (O&D)		
EAL	10,936	60.5
NAL	7,172	39.5
March 1951[1]		
Ticket Sales by carrier		
EAL	19,044	52.3
NAL	17,366	47.7
Ticket Lift by Carrier[2]		
EAL	31,851	61.0
NAL	20,433	39.0
Sept. 1951		
EAL (Not available)		
NAL (Not available)		
March 1952 (O&D)		
EAL	15,043	45.9
NAL	17,695	54.1
September 1952[3]		
EAL	6,502	55.5
NAL	5,204	44.5
March 1953[3]		
EAL	17,838	53.2
NAL	15,682	46.8
September 1953[3]		
EAL	7,191	50.4
NAL	7,087	49.6

[1] Board surveys were not published for 1951. However, the tickets sold by each carrier itself are shown (not including tickets sold by other carriers over these lines).

[2] These are not reported Origin and Destination figures as the previous three survey months but are ticket lift by the carriers. For Eastern at least these include off-line connecting traffic.

[3] September 17-30 and March 1-14, inclusive. Earlier data were for full Months.

[fol. 1532]

Appendix I

Excerpts from the Report of Examiner Thomas L. Wrenn, served January 23, 1952, in the *New York-Balboa Through Service Proceeding*, Docket No. 4882, *et al.*

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However, the record contains data on the increase of community of interest between the United States and South America. These data show that the population of Latin American countries (excluding Mexico) has risen from a pre-war level of 113,500,000 to 134,360,000, or an increase of 18 percent; the Caribbean increased from 13,000,000 to 16,730,000 or more than 28 percent; Central America from 8,137,000 to 8,937,000 or 9.7 percent; and South America from 92,394,000 to 108,692,000 or 17.6 percent.

Among the larger cities which will be affected by any interchange, Buenos Aires has increased from 2,364,263 in 1939 to 4,500,000 in 1949; Caracas from 203,342 in 1936 to 600,000 in 1949; Lima from 284,839 in 1935 to 767,054 in 1948; Rio de Janeiro from 1,896,998 in 1939 to 2,400,000 in 1950; Santiago, Chile, from 696,000 in 1930 to 1,130,000 in 1949; and Sao Paulo from 1,322,000 in 1939 to 2,060,000 in 1950.

The evidence shows that the total travel between the United States and Latin America (excluding Mexico, Puerto Rico, and the Virgin Islands) has expanded by 185 percent since 1938; that in the fiscal year 1950, 838,335 passengers traveled by sea and air between the United States and Latin America compared with a total of 293,251 in 1938. Within the Latin American area, the Caribbean increased from 226,373 to 613,202; Central America from 39,452 to 89,232; and South America from 27,426 to 135,901. Air travel between the United States and Latin America increased from 47,103 in the fiscal year 1938 to 663,000 in the fiscal year 1950, an increase of 1,307 percent. Air travel raised its share of total United States-Latin American travel from 16.1 percent in the fiscal year 1938 to 79.1 percent in the fiscal year 1950.

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The record also shows that during the fiscal year 1950, 1,878,000 pounds of mail moved by air from the United States to Latin American countries (excluding Mexico, Puerto Rico, Virgin Islands, and Bermuda) divided between the three major geographical areas as follows: Caribbean, 535,893 pounds; Central America, 383,695 pounds; and South America, 958,419 pounds. In the calendar year 1950, Pan American transported 711,000 pounds of foreign air mail from Latin America to the United States (excluding Mexico, Puerto Rico, Virgin Islands, and Bermuda) which represented a 34 percent increase over the twelve months ended August 31, 1949.

Other exhibits show the importance of the northeastern part of the United States with respect to trade and travel with Latin America. Exhibits show that the Northeast has 44 percent of the United States' population, 48 percent of the effective buying income and has 54 percent of the [fol. 1532a] manufacturing establishments accounting for 60 percent of the value of manufactured products. These data show that the metropolitan area of New York has a population of over 12,000,000 and produces over $7,500,000,000 in manufactured products. The record shows that in 1947, 65 percent of the total United States exports to Latin American countries served by Braniff moved through the Port of New York. The evidence shows that 58 percent of all the Foreign Freight Forwarders registered with the Maritime Commission's main offices in New York City. It also shows that 29 percent of the major United States concerns doing business in the Latin American countries served by Braniff are located in New York City.

The declared residence in the United States of northbound traffic arriving at Miami on Panagra-Pan American through flights for the period January-June 1951 shows that the residence of 68.3 percent indicated routing to or through New York City or Washington with the former accounting for 48.3 percent of the total. Similar material for the period June-October 1949 shows that 66.4 percent of the traffic arriving at Miami on the Panagra-Pan American through flight had declared residences indicating routing to or through Washington or New York City.

The evidence shows that there are presently 26 steamship companies including five United States flag lines providing service between the East Coast of the United States and South America as compared with nine in 1938. It is pointed out that steamship companies have kept pace with the increased amount of travel but air transportation facilities have not substantially changed during recent years to accommodate the greater volume of traffic, that there are only a limited number of through air routes between the Northeast and South America and that all but one—Pan American—are operated by foreign flag airlines. Moreover, Pan American only provides through service to the East Coast of South America while no United States flag carrier is authorized to provide through service between the northeastern part of the United States and the West Coast of South America including the Canal Zone and Bolivia.

Pan American and Eastern point out that there are 14 competitive air services operated in the areas which would be benefited by the Eastern-Pan American-Panagra interchanges. Of these, all but three, National, Braniff, and Chicago & Southern operating to Havana—are foreign flag carriers. It is also pointed out that the Mid-West area receives service to Latin America by two carriers but that the East Coast area has no one-carrier or one-plane service to the areas of Latin America, most directly served through the Miami gateway.

Traffic Flow via Miami Gateway: Miami is the principal gateway for air travel between United States ports and Latin American countries as shown by the following table of United States-Latin American air travel during the year ended June 30, 1950:

[fol. 1533]

Table 1

Area	Total	Via Miami	Percent
Caribbean	535,063	372,469	69.6
Central America	46,138	17,786	38.5
South America	89,315	44,027	49.3
Total Latin America	670,516	434,282	64.8

NOTE: Excludes Puerto Rico, Virgin Islands, and travel across the land border of Mexico.

Pan American showed the number of passengers it carried to and from Miami for the years 1948, 1949, 1950 and January-June 1951, as follows:

Table 2

Year	Outbound	Inbound
1948	152,434	154,086
1949	148,271	151,904
1950	138,624	141,205
1951 (6 months)	79,579	85,126

A summary, compiled by Pan American from exhibits of record of southbound air passengers moving through or over Florida gateways, January-June 1951, is shown in Appendix 1A. It will be seen from Appendix 1A that a total of 147,074 passengers or 812.58 per day moved through or over Florida gateways to the seven groups of Latin American countries and that New England, New York, New Jersey, Pennsylvania, Maryland, District of Columbia, and Delaware, designated as Area A which would be most directly served under the interchange here involved, furnished 28,192 passengers or 155.78 per day.

A breakdown showing which carriers performed the service for the 28,192 passengers from Area A to the seven groups of Latin American countries is as follows:

Table 3

Carrier	Total Passengers Amount	Total Passengers Per Day	Percent of Total
Pan American	8,968	49.57	31.81
Other U. S. Flag Carriers	5,578	30.81	19.79
Foreign Flag Carriers	13,646	75.40	48.40
Total, Groups 1-7	28,192	155.78	100.00

[fol. 1533a] A summary of air passengers moving through or over Florida gateways to and from selected Latin American countries, March and September 1950, is shown in Appendix 1B.

Another exhibit shows the proportion of total air passengers carried by foreign air carriers between New York-Newark, Baltimore-Washington and Miami and Latin America for the years ended June 30, 1947, 1948, 1949, 1950 and 1951. For the year ended June 30, 1951, these data follow:

Table 4

Area	Total Traffic Total	Foreign Carrier	Percent of Total
Caribbean	436,212	102,618	23.5
Central America	26,486	7,854	29.7
South America	95,306	31,865	33.4
Total Latin America	558,004	142,337	25.5

Cuba accounted for 294,546 of the above total, with foreign carriers getting 58,788 or 20 percent of the passengers.

The record shows that for the period September 1950 through August 1951, Avianca carried a total of 11,602 passengers in and out of New York and Miami; in the seven-month period January-July 1951, L.A.V. carried 2,426 passengers north from Havana to New York and 2,320 from New York to Havana; that in the same seven months, K.L.M. had a total of 2,906 passengers in and out of Miami. Other data show that in the period January-August 1951, British Overseas Air Corporation and Bahamas Airways carried 26,112 passengers between New York, Miami or West Palm Beach, and Bahamas and Trans Canada Airlines carried 1,733. Another exhibit shows passengers carried by foreign flag carriers between the United States and Cuba for the period February-July 1951 as follows:

Table 5

Carrier	Deplaned From	Origin	Enplaned For	Destination
L.A.V.	1,613	New York	1,534	New York
Aerovias "Q" S. A.	15,268	Tampa or Key West	15,622	Tampa
K.L.M.	332	Miami	323	Miami
Cubana	10,164	Miami	13,995	Miami

Pan American submitted data on passengers delivered to or received from Eastern and National by Pan American according to interline billings for the period November 1947-June 1951:

[fol. 1534]

Table 6

Year	Passengers Exchanged Between PAA-EAL Total	Sale by PAA	Sale by EAL	Passengers Exchanged Between PAA-NAL Total	Sale by PAA	Sale by NAL
1947 (Nov. & Dec.)	7,022	5,828	1,194	1,103	754	349
1948	46,192	38,856	7,336	8,059	4,476	3,583
1949 (Apr. thru Sept.)	26,699	19,304	7,395	11,436	7,945	3,491
1950	46,419	32,652	13,767	17,918[1]	14,883[1]	3,035
1951 (6 mos.)	25,501	14,386	11,115	—	8,957	NA*

* National Airlines not available.

[1] Data for Panagra tickets not available.

The foregoing traffic data includes traffic moving via Miami to Latin America. It should be remembered that South America is one area within the group termed, "Latin America". The New York-Balboa interchange investigation instituted by the Board involves traffic between New York and Balboa and points in South America served by Panagra and Braniff. The following data is on the movement of traffic between the Northeast, primarily New York and Washington, via Miami to Balboa and points south:

Table 7

Panagra's United States-South America Traffic

	1946	1947	1948	1949	1950	1951*
Psgrs. to and from United States	15,448	17,757	17,552	20,085	20,304	12,295
Psgrs. to and from Miami	11,222	13,574	14,287	17,592	18,242	11,004
Percent of psgrs. trvl. via Miami	72.6	76.4	81.4	87.6	89.7	89.5
Passengers between U.S. (Miami) and:						
Argentina	1,610	2,713	4,471	5,659	5,421	2,842
Bolivia	798	924	849	688	890	514
Brazil	77	34	8	46	57	10
Chile	2,419	2,422	2,131	3,118	3,396	2,523
Colombia	428	785	634	434	533	289
Ecuador	2,095	2,678	2,598	2,191	2,648	1,088
Peru	3,795	4,018	3,596	5,456	5,297	3,738

* Six months

[fol. 1534a]
Table 8

RESIDENCE IN U. S. OF PANAGRA'S EL INTER AMERICANO THROUGH FLIGHT PASSENGERS ARRIVING AT MIAMI
(Including Passengers Boarding at Balboa)

JANUARY-JUNE 1951

	Breakdown by State of Destination	Total	Percent of Total
I	New York	2,704	41.5
	New Jersey	184	2.8
	New England States	213	3.3
	Eastern Canada	9	.1
	Europe (via New York)	39	.6
	Total indicating travel to or via New York City	3,149	48.3%
II	Washington, D. C.	459	7.1
	West Virginia	4	.1
	Pennsylvania	722	11.1
	Maryland	97	1.5
	Delaware	14	.2
	Total indicating travel to or via Washington, D. C.	1,296	20.0%
III	Total to other states not indicating travel to or via New York City and Washington, D. C.	2,068	31.7%
	GRAND TOTAL	6,513	100.0%

Percentage of passengers whose declared residence in U. S. indicates routing to or through New York City or Washington, D. C. 68.3%

A Panagra exhibit shows the origin or destination in the United States of passengers carried on Panagra-Pan American through flights, January-June 1951, as follows:

Table 9

Total Passengers	Washington	New York
16,006	3,201	7,731

Number of passengers per day	88
Number of passengers per day en route to or from Washington and New York	60

[fol. 1535] Braniff carried the following traffic between East Coast points of the United States and Latin American points during the first six months of 1951:

	East Coast			
	New York City	Other	Total	No. per day
Six Month Total	793	613	1,406	8

Panagra points out that the foregoing data show that the through traffic between New York and the Northeast and Balboa and points south, which would be given an improved through plane service if interchanges are authorized, was 68 daily passengers or 34 in each direction during the first six months of 1951.

Braniff estimates that the total through traffic between New York, Washington and Miami, on the one hand, and points in South America served by it, is at least 178 per day based upon the September 1950 survey instead of 68 passengers per day estimated by Panagra. Braniff's analysis of the September 1950 survey from which it obtained the 178 figure follows:

Table 10

Points	Passengers
New York-Balboa	270
New York-Guayaquil	110
New York-Lima	210
New York-Sao Paulo	513
New York-Rio de Janeiro	1,571
New York-Buenos Aires	1,028
Washington-Balboa	71
Washington-Guayaquil	15
Washington-Lima	34
Washington-Sao Paulo	2
Washington-Rio de Janeiro	16
Washington-Buenos Aires	46
Miami-Balboa	839
Miami-Guayaquil	146
Miami-Lima	268
Miami-Sao Paulo	12
Miami-Rio de Janeiro	20
Miami-Buenos Aires	161
TOTAL	5,332
PER DAY	178

It will be noted that 1,448 passengers or 48 per day traveled between Miami and Balboa or points south, most of which now have one-plane service. The record shows that during the first six months of 1951, Pan American carried a total of 4,254 passengers directly out of the New York gateway to Rio de Janeiro, Sao Paulo, Montevideo, and Buenos Aires.

[fol. 1535a] National presented an analysis of its southbound connecting traffic, during the six-month period ending June 30, 1951, via Miami and via Havana:

Table 11

City	Number Passengers via Miami	Number Passengers via Havana
New York	3,417	515
Philadelphia	30	—
Washington	583	177
Miami	—	99
Jacksonville	36	2
Tampa	96	—
St. Petersburg	25	78
Sarasota	27	—
West Palm Beach	30	3
New Orleans	1,057	33
Pensacola	35	—
Mobile	19	—
Other points	6	—
TOTAL	5,361	907

Out of a total of 4,345 passengers between the principal Eastern cities and South America in March 1949, New York accounted for 2,284 or 52.6 percent; Miami, 1,634 or 37.6 percent; and Washington 219 or 5 percent of the total.

A summary of international traffic carried by Braniff between the United States points and points in Latin America during the first six months in 1951 follows:

Table 12

	East Coast	Mid-West and West	Total	Havana Traffic	Grand Total
SIX MONTHS TOTAL	1,406	2,691	4,097	1,357	5,454
Percent of Total, Excluding Havana	34.3%	65.7%	100.0%		
Percent of Total	25.8%	49.3%	75.1%	24.9%	100.0%

Travel on Braniff via the Miami and Havana gateways for the months of July, August and September 1951 follows:

[fol. 1536]

Table 13

	July	August	September
Southbound	143	165	190
Northbound	222	238	396
Total	365	403	586

Carrier Participation

Southbound

	July	August	September
Connecting carrier			
National (at Miami)	—	52	75
National (at Havana)	143	57	29
NATIONAL TOTAL	143	109	104
Eastern	—	33	44
Others	—	2	4
Local Boardings	—	21	38
TOTAL SOUTHBOUND	143	165	190

Northbound

	July	August	September
National (at Miami)	—	67	161
National (at Havana)	222	78	57
NATIONAL TOTAL	222	145	218
Eastern	—	21	65
Others	—	1	11
Miami Finals	—	71	102
TOTAL NORTHBOUND	222	238	396

The Eastern-Pan American Interchange: On January 27, 1951, Eastern and Pan American executed an interchange agreement, for which approval is requested in Docket No. 4846, under which through-plane service will be operated between points on Eastern's Boston-New York-

Washington-Miami route, on the one hand, and Latin American points south of Miami, on the routes of Pan American and Panagra, on the other hand, by interchange of equipment at Miami. Specifically, this interchange agreement embraces points on Eastern's Boston-New York-Washington-Miami route and the following points served by Pan American out of Miami: Nassau, Havana, Merida, Guatemala City, Tegucigalpa, Managua, San Jose, Camaguey, Montego Bay, Kingston, Barranquilla, Maracaibo, Port-au-Prince, Panama City and beyond Panama City all points served by Panagra.

[fol. 1536a] Schedules proposed for immediate operation are:

1. One round trip daily New York-Maracaibo via Washington, Miami, Kingston, and Barranquilla with Pan American Constellation aircraft.

2. (a) Two round trips weekly New York-Balboa tourist flights via Washington, Miami, Camaguey and Kingston with Pan American DC-4 aircraft.

   (b) Two round trips weekly New York-Balboa tourist flights via Washington and Miami with Pan American DC-4 equipment.

3. (a) One round trip daily Boston-Havana via New York and Miami with Eastern Constellation aircraft.

   (b) One round trip daily New York-Havana via Washington and Miami with Eastern Constellation aircraft.

4. One round trip daily New York-Nassau via Miami with Eastern Constellation aircraft during the summer and Pan American Constellation or Boeing 377 aircraft during the winter season.

5. One round trip daily New York-Buenos Aires via Washington, Miami, Balboa, and Lima and also serving Guayaquil, Antofasgasta or Santiago with Panagra DC-6 aircraft. This service will be an extension

of the present Panagra *El Interamericano* flights to New York.

6. Three round trips weekly New York-Buenos Aires tourist flights via Miami, Balboa, Guayaquil, Talara (flagstop), Lima and Santiago with Panagra DC-4 aircraft.

The proposed initial schedules will be adjusted as needs develop or change. Initially, Eastern aircraft will be leased to Pan American for use on the Havana schedules only. All other interchange flights will be operated with Pan American and Panagra aircraft. Eastern will operate the interchange flights as substitutions for otherwise existing schedules on Eastern's Boston-New York-Miami route. Eastern and Pan American will establish training programs to qualify their flight crews and other personnel. Under the proposed initial interchange schedules, Constellations and DC-4 aircraft will be used exclusively except for the daily *El Interamericano* flights to Buenos Aires which will employ Panagra DC-6 equipment. Eastern and Pan American have agreed that, in general, Eastern flight crews will operate Pan American aircraft while such aircraft are being flown over Eastern's routes and Pan American flight crews will operate Eastern's aircraft flown over Pan American's routes. Eastern and Pan American regard the interchange as a permanent arrangement and are requesting the Board to approve it for an indefinite period.

[fol. 1537] Detailed financial provisions for the determination of costs have been agreed upon and are embodied in a financial supplement to the agreement. Eastern estimated that in leasing aircraft from Pan American and Panagra rather than operating its own aircraft it would incur additional exepense of only $52,606 annually. Eastern will not be required to purchase additional equipment except for a small amount of aircraft radio equipment estimated to cost $60 per Eastern aircraft used in the interchange. The only other expense will be that of qualifying Eastern crews in the operation of DC-6 equipment. Pan American estimates that its costs per seat mile will be less using Eastern aircraft between Miami and Havana pursuant to the inter-

change agreement rather than using its own Convair 240 equipment. Panagra will not incur any additional expense under the proposed schedules.

* * * * * *

Table 14

	Number of Annual Passengers 1947	1948	1949
Eastern-Pan American-Panagra Proposed Interchange	30,090	36,606	51,810
Capital-National Interchange	40,848	42,096	43,332
TWA-Delta Interchange	30,978	35,346	38,502
American-Delta Interchange	16,848	12,984	15,912
American-Delta-National Interchange	20,070	18,564	21,708
American-Continental Interchange	16,176	14,040	17,814

* * * * * *

The proposed interchange schedules will also provide improved service for passengers originating and terminating at points not to be directly served by the n [illegible] al interchange schedules; such as, Baltimore, Hartford, Philadelphia, Pittsburgh and Providence. * * *

*** ***

Summary of Southbound Air Passengers Moving Through or Over Florida Gateways
January-June 1951

	Total		Area A		Area B	
	Number of Passengers	Per Day	Number of Passengers	Per Day	Number of Passengers	Per Day
Group 1						
Argentina	1,474	8.14	743	4.10	537	2.97
Bolivia	251	1.39	177	.98	48	.27
Chile	1,174	6.49	870	4.81	238	1.32
Ecuador	619	3.42	354	1.96	234	1.29
Peru	1,527	8.44	979	5.41	397	2.19
Total to Group 1	5,045	27.88	3,123	17.25	1,454	8.04
Group 2						
Costa Rica	521	2.88	234	1.29	287	1.59
Panama and Canal Zone	3,367	18.60	1,006	5.56	2,028	11.20
Total to Group 2	3,888	21.48	1,240	6.85	2,315	12.79
Group 3						
Colombia	4,997	27.61	2,695	14.89	1,856	10.26
Jamaica	7,950	43.92	1,9[illegible]7	10.98	4,822	26.64
Venezuela (Maracaibo)	918	5.07	566	3.13	203	1.12
Total to Group 3	13,[illegible]	76.60	5,248	29.[illegible]	6,881	38.02
Group 4						
Cuba	[illegible],998	530.38	12,458	68.[illegible]	81,493	450.24
Group 5						
Haiti	1,227	[illegible]	333	2.1[illegible]	74[illegible]	4.10
Group 6						
British Honduras	2	.01	-	-	[illegible]	.[illegible]
El Salvador	115	.64	[illegible]	.1[illegible]	85	.4[illegible]
Guatemala	390	2.16	79	.44	290	1.[illegible]
Honduras	246	1.36	51	.28	189	1.0[illegible]
Mexico (Merida)	187	1.03	21	.12	155	.85
Nicaragua	81	.45	16	.09	60	.33
Total to Group 6	1,021	5.65	190	1.0[illegible]	781	4.31
Group 7						
Bahamas	26,030	143.81	5,550	30.66	19,439	107.40
Total to Groups 1 - 7	147,074	812.58	28,192	155.78	113,106	624.90

[fol. 1540] APPENDIX II

EXCERPTS FROM THE RECOMMENDED DECISION OF EXAMINER THOMAS L. WRENN, REOPENED NEW YORK-BALBOA THROUGH SERVICE PROCEEDING, DOCKET 4882, ET AL. SERVED NOVEMBER 13, 1953

*** ***

For the convenience of the Board and parties, a description of the investigation and applications which constitute this proceeding is hereafter set forth. Board Order No. E-5205 and Order No. E-5389 which set up this proceeding specifically directed consideration of the following: (1) A Board-instituted proceeding directing Pan American, Panagra, and National to show cause why the Board should not order a compulsory interchange operation between Pan American and National for through service between New York and Balboa to be provided by using such aircraft of Panagra as is used in the Panagra-Pan American through flight operation; (2) A Board-instituted proceeding to determine whether the certificate of Eastern for route No. 6 or the certificate of Braniff authorizing service between Houston and Buenos Aires should be amended to provide for an extension of Eastern's route from Miami to Havana or Braniff's route from Havana to Miami; (3) A Board-instituted proceeding to show cause why, in the event of an amendment of Braniff's or Eastern's certificate to provide a Havana-Miami connection for Eastern's route and Braniff's route, a compulsory interchange between Eastern and Braniff providing through service between New York and Balboa should not be ordered by the Board; (4) A Board-instituted proceeding directing Braniff and National to show cause why the Board should not order a compulsory interchange operation between Braniff and National for through service between New York and Balboa; (5) Docket No. 4846, an application for approval of an agreement between Pan American and Eastern providing for an interchange of equipment at Miami; (6) Whether it is in the public interest for Panagra to participate in the interchange between Pan American and Eastern proposed in Docket

No. 4846; (7) Docket No. 3785, an application for approval of an interchange agreement between National and Panagra; (8) Docket No. 3787, an application for approval of a modification and extension of the through flight agreement between Pan American and Panagra and a companion agreement between Pan American and W. R. Grace & Co.

Board Order No. E-5642, dated August 23, 1951, modified paragraph 7 of Order No. E-5205 relating to the Eastern and Braniff Miami-Havana extension proceeding and consolidated herein Docket No. 5030, the application of Braniff for amendment of its Houston-Buenos Aires certificate to include Miami and Docket No. 5086, the application of Eastern to operate from Miami to Havana. The order further provided that the proceeding not include the issue of whether either Grace or Pan American has acquired additional control of Panagra, which is the subject of a separate proceeding.

[fol. 1540a] *The Eastern-Pan American Interchange*: The interchange agreement between Eastern and Pan American, Docket No. 4846, was described as to provisions and details at pages 27-29 of the January 23, 1952 Examiner's Report. The record herein contains an amendment of the financial supplement of the agreement, plan of operation, and proposed schedules under the interchange. The evidence herein shows that 13 or more Boeing B-377, 38 Douglas DC-6B, 16 Douglas DC-4 aircraft owned by Pan American, 6 Douglas DC-6, 4 DC-6B, and 3 DC-4 aircraft owned by Panagra will be available for use over Eastern's New York-Miami route and 20 Lockheed L-749A, 36 L-1049, and 11 Douglas DC-4 aircraft owned by Eastern will be available for use over Pan American's Miami-Havana and Nassau routes.

Schedules proposed under the interchange are: for Panama and the West Coast of South America, seven first-class and three tourist-class services weekly using DC-6 and DC-6B aircraft; in addition, Panama would also receive four DC-4 tourist services weekly, affording it daily first-class and daily tourist-class service. Jamaica, Haiti, and the North Coast of South America will be served with two daily round trips during the winter season and one during the summer season. The basic year-round schedule, operated with DC-6B aircraft, would serve Kingston, Barranquilla,

and Maracaibo. On four days a week, this would operate as a tourist service and on three days as a first-class service. The second daily schedule would be operated from December 15 through April 15, and on four days of the week would serve Montego Bay and on three days Port-au-Prince. This schedule was not included in the 1951 proposal. Nassau would be served daily with Pan American DC-6B aircraft or Eastern Constellation, depending on the availability of equipment. Tourist service would be offered on two days of each week. Havana would be served by two round trips daily using Eastern Constellation for daily first-class service and Eastern DC-4 equipment for daily tourist service. Eastern has 22 daily flights into Miami which will connect with the several southbound interchange flights operated from Miami and 23 daily flights north out of Miami which provide connections with interchange flights operated into Miami. New features of the revised proposal are service to the new areas Montego Bay and Port-au-Prince, an increase in frequencies from 44 to 49 round trips per week, newer aircraft used, and expansion of tourist service.

*** ***

Miami Gateway Traffic Data: The traffic data previously submitted in this case were summarized at pages 19-27 and Appendixes A and B of the Examiner's Report served January 23, 1952. These data generally related to traffic for the period January-June 1951, the Board's origin and destination surveys, and other studies prior to 1951. The traffic data submitted at the hearing in this reopened case supplement the data previously submitted and are based for the most part upon special studies by all carriers for the period January-March 1953, the most recent origin and destination surveys, and other special studies made by the [fol. 1541] parties. The evidence submitted herein for the most part consists of traffic data, information on the growth and operating results of the carriers, and changes in the competitive situations together with certain changes in equipment and schedules involved in the proposed Eastern-Pan American interchange.

A comparison of the number of *southbound* passengers per day from Areas A and B moving through or over the Florida gateways based on January-June 1951 (shown in

Appendix A of the January 23, 1952 Examiner's Report) and January-March 1953, submitted in the reopened record, follow:

Table No. 1:

	Area A[1]		Area B[2]	
	1951 January-June	1953 January-March	1951 January-June	1953 January-March
Group 1				
Argentina	4.10	6.82	2.97	1.84
Bolivia	.98	1.11	.27	.38
Chile	4.81	3.21	1.32	.87
Ecuador	1.96	3.08	1.29	2.02
Peru	5.41	5.61	2.19	5.30
Total	17.26	19.83	8.04	10.41
Group 2				
Panama and Canal Zone	5.56	10.10	11.20	11.22
Group 3				
Colombia	14.89	23.32	10.26	10.61
Jamaica	10.98	42.70	26.64	33.32
Venezuela (Maracaibo)	3.13	4.61	1.12	1.16
Total	29.00	70.63	38.02	45.09
Group 4				
Cuba	68.83	79.29	450.24	447.99
Group 5				
Haiti	2.12	4.04	4.10	5.99
Group 7				
Bahamas	30.66	46.24	107.40	118.38
GRAND TOTAL	153.43	230.13	619.00	639.08

[1] Includes Maine, New Hampshire, Vermont, Massachusetts, Rhode Island, Connecticut, New York, New Jersey, Pennsylvania, Maryland, District of Columbia and Delaware.

[2] Includes Virginia, North and South Carolina, Georgia and Florida. Costa Rica traffic in Group 2 and all traffic in Group 6 shown in Appendix A of the Examiner's Report served January 23, 1952 have not been shown above because the information for 1953 was not available. In 1951 Costa Rica accounted for 2.88 passengers per day and Group 6 (Guatemala, Honduras, Nicaragua, etc.) accounted for a total of 5.65 passengers per day.

Source: Ex. PA-1106.

[fol. 1541a] The foregoing data show southbound passengers from Areas A and B only; for the rest of the United States, the figure was 31.62 passengers in 1951 and 67.81 in 1953. Total southbound passengers per day in 1953 were 937.02 as compared with 812.5 in 1951, an increase of 15 percent. It will be noted that traffic from Area A and those areas of Latin America best served through the Miami Gateway increased from 153 per day to 230 per day, an increase of 50 percent, and that this increase was far greater than the increase from Area B or the total United States southbound traffic. It will also be noted that passengers from Area A to Panama, the Canal Zone and the South American countries in Group 1, which would be affected by a New York-Balboa through service, were 29.93 per day or 13 percent of the total Area A passengers and from Area B, 21.63 passengers or 3.3 percent of the total Area B passengers. It will also be seen that Cuba, with 79.29 passengers per day, accounted for the greatest number of passengers from Area A followed by Group 3 (Colombia, Jamaica, Venezuela) with 70.63 passengers per day.

A breakdown showing which carriers carried the southbound passengers shown in Table No. 1 follows:

Table No. 2:

Carrier	Area A 1951	Area A 1953	Area B 1951	Area B 1953
Pan American	48.56	74.40	306.34	307.46
Other U. S. Flag	30.79	44.42	118.64	85.59
Foreign Flag	74.08	111.31	194.02	246.03
Grand Total	153.43	230.13	619.00	639.08

Source: Ex. PA-1107

Origin and destination traffic data for September 1952 and March 1953 between th[e] ten United States cities and 19 Latin American cities, [wh]ich account for 90 percent of the traffic moving betwee[n] Areas A and B of the United States and Latin America, indicate that in March 195[3] there were about 49,000 air passengers in both directions

of which 19,500 were United States to Latin America and 29,500 in the opposite direction. The September 1952 figures show the same predominance of traffic flow from Latin America to the United States. In March 1953, New York City accounted for 23,700 passengers to and from Latin America while Miami accounted for 18,300 such passengers. These figures indicate that New York is the point of primary importance in Area A and Miami in Area B.

About 85 percent of the New York/Washington market traffic moved to the Caribbean Island area while the North Coast of South America had 3.5 percent, the East Coast of South America 5 percent, and the West Coast of South America had 6 percent of the total. However, about 19,400 of the 23,600 passengers for September 1952 and March [fol. 1542] 1953 moving between the New York/Washington market and the Caribbean Island area moved to and from San Juan which is not affected by any of the interchange proposals in this case.

Traffic for September 1952 and March 1953 between the Miami-Tampa area (Area B) and the Latin American market (Areas 1-4) was distributed as follows: Caribbean Island area, 89 percent; West Coast of South America, 6 percent; North Coast of South America, 3 percent; and the East Coast of South America, 1.5 percent. In terms of passengers moving between Miami-Tampa and the Caribbean Island group, there was a total of 33,800 for the two months of which 31,700 moved between Miami-Tampa and Havana and Miami-Tampa and San Juan. The interchange proposals here in issue do not benefit Miami-Havana or Miami-San Juan traffic.

Panagra's exhibit on origin and destination in the United States of passengers carried on Panagra-Pan American's through flights, January-March 1953, shows 100 passengers per day of which 68 were en route to or from Washington and New York as compared with 60 in 1951, an increase of 13 percent. Braniff's passengers to and from New York and Washington, January-March 1953, were 12.6 per day as compared with eight in 1951. In other words, the total passengers per day en route to or from Washington and

New York in 1953 were 80, or 40 in each direction, as compared with 68, or 34 in each direction, in 1951. This is the through traffic between the Northeast and Balboa and points south thereof served by Panagra and Braniff which would be given through-plane service under New York-Balboa interchange proposals.

A breakdown of the residence in the United States of the 4,435 through flight passengers on Panagra ariving at Miami, including those boarding at Balboa, January-March 1953, shows that 2,142 or 48.3 percent indicated travel to or via New York City and 887 or 20 percent indicated travel to or via Washington. In other words, 68.3 percent of the total indicated routing to or through New York City or Washington. Exclusive of passengers boarding at Balboa, there was a total of 3,120 passengers of which 71.1 percent indicated a routing to or through New York City or Washington.

Other Panagra traffic data show that in 1952 it had a total of 28,208 passengers to and from the United States as compared with 24,357 in 1951 and that passengers traveling to or from Miami were 24,880 as compared to 21,740 in 1951.

Eastern submitted the following summary of passengers between northeastern United States points and Latin American points to be benefited by the Eastern-Pan American-Panagra interchange proposed:

[fol. 1542a] Table No. 3:

Excluding Traffic Destined to or Originating Havana

CAB Survey Month	Total Passengers	Number of Passengers Carried By			
		EAL	NAL	BNF	C&S
March 1953	5,378	2,511	2,048	125	39
Annual 1953[1]	67,232				
September 1952	4,629	2,076	1,654	151	7
March 1952	4,272	1,933	1,272	173	12
Annual 1952[2]	53,406				

Including Traffic Destined to or Originating Havana

CAB Survey Month	Total Passengers	EAL	NAL	BNF	C&S
March 1953	8,915	3,109	4,920	126	49
Annual 1953[1]	111,976				
September 1952	7,349	2,872	2,906	152	18
March 1952	6,712	2,356	3,234	175	21
Annual 1952[2]	84,306				

[1] Computed on the basis of the increase from March 1952 to March 1953.

[2] March and September multiplied by six.

Source: Ex. EAL-121.

Of the March 1953 traffic shown by the Board's survey between northeastern United States points and Latin American points involved in the Eastern-Pan American-Panagra interchange proposal, 364 were to or from Boston while there were 160 to or from Boston in September 1952; other New England points served by Eastern accounted for 45 passengers in March 1953 and 38 in September 1952.

Eastern also submitted the following summary of passengers exchanged between Eastern/Pan American and National and Pan American at Miami of traffic shown in the previous table:

Table No. 4:

CAB Survey Month	Number of Passengers Exchanged Between EAL—PAA	NAL—PAA
March 1953	2,728	1,817
September 1952	2,348	1,664
March 1952	2,218	1,284

Source: Ex. EAL-122

[fol. 1543] A comparison of Eastern's and National's participation in traffic between New York and Washington, on the one hand, and Latin American points currently served by Braniff, excluding Havana, shows that of the total of 2,482 passengers in March 1952 Eastern carried 400 and National 736, and of the total of 2,556 passengers in September 1952 Eastern carried 694 and National 916.

Pan American's through traffic exchanged at Miami and Braniff's through traffic exchanged at Miami/Havana, January-March 1953, follows:

Table No. 5:

	Pan American[1]		Braniff[2]	
	EAL	NAL	EAL	NAL
Area A	6,821	4,910	360	616
Area B	1,492	247	24	66
Total	8,313	5,157	384	682
Percent	61.7%	38.3%	36.0%	64.0%

[1] Exchanges at Miami, January-March 31, 1953.

[2] Exchanges at Miami/Havana, January-March 31, 1953.

Source: Ex. PA-1301.

In January-June 1951, the percent of participation in through passengers to and from Areas A and B, exchanged at Miami with Pan American, was Eastern 63.6 percent and National 36.4 percent. Interline ticket lifts at Miami for the period June 1952 through May 1953 show a total of 79,614 passengers exchanged between Pan American and Eastern and National; 50,552 or 63.5 percent of the total was between Pan American and Eastern; and 29,062

or 36.5 percent of the total was between Pan American and National. Gross billings for interline traffic for the period January 1952 through May 1953 between Eastern and Pan American were $8,845,020 and those between Pan American and National were $3,654,134.

National submitted the following origin and destination data of traffic carried by National in January-March 1953 between Areas A and B in the United States and Areas 1-4 in Latin America (the Caribbean and all of South America north of Buenos Aires and Santiago):

Table No. 6:

BETWEEN		Revenue Passengers			
Area and	Area	Jan. 1953	Feb. 1953	Mar. 1953	Total
I-IV	A	2,927	3,074	3,185	9,186
	B	291	299	363	953
		3,218	3,373	3,548	10,139

[fol. 1543a] This exhibit does not reflect passengers who originated or terminated at Havana and who traveled exclusively on National. A total of 253 Canadian passengers and 327 trans-Atlantic passengers are included in the foregoing tabulation.

Revenue passengers carried by National, January-March 1953, with Latin American origin and National destination were 4,592; revenue passengers with Latin American origins, National routings, and off-line destinations were 623; revenue passengers with National origin and Latin America destinations were 4,310; and revenue passengers with Latin America destinations, National routing, and off-line origins were 614.

An analysis of National's nonstop New York-Havana operation during the first six months of service (January-June 1953) shows that National operated 180 trips southbound with a total of 10,520 available seats carrying 5,594 passengers and 180 trips northbound with 10,522 seats available carrying 4,583 passengers or a total of 10,177 passengers for both directions.

Travel on Braniff via the East Coast gateway for the period January-March 1951 is shown below:

Table No. 7:

Year	South	North	Total
July-December 1951	1,334	1,842	3,176
1952	4,162	5,371	9,533
January-March 1953	958	1,113	2,071

Carrier Participation—No. Passengers Delivered

Connecting carrier—southbound:	July-Dec. 1951	1952	Jan.-March 1953
National (at Miami)	493	1,431	254
National (at Havana)	282	114	39
National Total	775	1,545	293
Eastern	258	1,258	355
Others	54	321	83
Local Boardings, Miami	247	1,038	227
Total Southbound	1,334	4,162	958
Connecting carrier—northbound:			
National (at Miami)	627	2,093	417
National (at Havana)	412	167	5
National Total	1,039	2,260	422
Eastern	199	1,376	304
Others	59	365	70
Miami Finals	445	1,359	317
Total Northbound	1,742	5,371	1,113

Source: BNF. Ex. pages 3 and 4

[fol. 1544] A Braniff tabulation of March 1952 and September 1950, "Air Traffic Between the United States and Braniff's Latin American Traffic Generating Areas," shows that 75 percent of March and 83 percent of the September traffic was to and from the eastern part of the United States. An analysis of the March 1952 traffic data shows

that, of the principal eastern cities involved, New York accounted for 2,583 or 50.8 percent of the total.

Revenue passengers carried by Eastern on through flights between Miami, on the one hand, and New York, Philadelphia, and Washington, on the other hand, for the period January-March 1953 follows:

Table No. 8:

Month 1953	New York-Miami	Philadelphia-Miami	Washington-Miami	Total
January	37,680	1,547	4,657	43,884
February	38,603	1,624	4,357	44,584
March	41,610	1,685	4,666	47,961
Total 3 Months	117,893	4,856	13,680	136,429

Source: Ex. EAL-119

Revenue passengers carried by National between the same points for the same period were:

January	23,693	1,409	4,402	29,504
February	27,952	1,670	4,938	34,560
March	30,383	1,610	5,472	37,465
Total 3 Months	82,028	4,689	14,812	101,529

Source: Ex. NAL-509

Foreign Air Carrier Traffic: The record contains data on foreign air carrier traffic supplemental to that summarized at pages 21 and 22 of the January 23, 1952 Examiner's Report. The proportion of total air passengers carried by foreign air carriers between the "U. S. Ports" of Miami, Key West, Tampa, West Palm Beach, New York, Baltimore, and Washington and Latin America for the year ended June 30, 1952 and for January-March 1953 follows:

Table No 9:

Area	Year Ended June 30, 1952 Total	Foreign Air Carriers	% of Total	January-March 1953 Total	Foreign Air Carriers	% of Total
Caribbean	566,512	180,679	31.9	179,169	61,564	34.4
Central America	45,386	17,868	39.4	11,531	5,317	46.1
South America	113,949	41,645	36.5	25,145	10,428	41.5
Total Latin Amer.	725,847	240,192	33.1	215,845	77,309	35.8

Source: Ex. PA-1502

[fol. 1544a] For the year ended June 30, 1951, there was a total of 558,004 passengers between the same points with 142,337 or 25.5 percent of the total using foreign air carriers. Cuba accounted for 385,468 of the 1952 total with foreign air carriers having 120,795 passengers or 31.3 percent as compared with 58,788 or 20 percent in 1951.

For the period August 1951-March 1953, Linea Aeropostal Venezolana carried 15,498 passengers between Havana and New York. For the period September 1951-March 1953, British Overseas Airways Corporation carried a total of 42,879 passengers between New York, Miami, and the Bahamas. During September 1951 through March 1953, K.L.M. carried 22,379 passengers in and out of Miami on flights operated via Havana. For the period August 1951-March 1953, Cubana carried 105,533 passengers between Miami and Cuba. For the period August 1951-March 1953, Aerovias "Q" carried 99,291 between Key West, Tampa, and Cuba.

*** ***

Delta-C&S—The Brief filed by this carrier was primarily devoted to arguing the increased necessity for a contemporaneous consideration of the Delta-C&S Havana-Miami applications with this proceeding now that Delta and Chicago & Southern are merged. The question of this carrier's applications is not present in this case, for the Board in Order Nos. E-5642 and E-5683 denied motions for consolidation of the applications of then Delta and Chicago & Southern with this case. The brief incorporates by reference a motion filed by Delta-C&S on October 8, 1953,

for immediate hearing of its Havana-Miami proposals. Under the Board's Rules of Practice, motions for consolidation of applications or for hearing of applications should be addressed to the Board unless made orally at the prehearing conference (which was not done here) in which case the presiding examiner shall present such motions to the Board for decision. Therefore, the question of hearing the Delta-C&S applications, either as a part of this proceeding or as a separate case considered contemporaneously, is not in issue in this case and is not incumbent upon the examiner to consider the argument of the carrier on this point and make findings on it.

*** ***

FINDINGS AND RECOMMENDATIONS

The evidence in the reopened record demonstrates that the volume of traffic between the East Coast of the United States and Latin America has increased since the previous hearing. The number of southbound passengers between these areas moving through the Miami Gateway averaged 869 per day during the first three months of 1953 as compared with 772 for the first six months of 1951. The greatest increase was from Area A (northeastern states) which increased 50 percent, from 153 per day in 1951 to 230 per day in 1953. It is the traffic between Area A and Latin [fol. 1545] America that would be affected by the interchanges in issue since most of Area B traffic moves from Miami and Tampa and has through-plane service to Latin America.

Panagra passengers en route to or from Washington and New York during the first three months of 1953 were 68 per day as compared with 60 per day in the first six months of 1951 and Braniff passengers en route to and from Washington were 12.6 per day in the first three months of 1953 compared with eight per day for 1951. Thus the total passengers carried were 80 per day or 40 in each direction compared to 68 per day or 34 in each direction in 1951. This is the through traffic between the Northeast and Balboa and points south served by Panagra and Braniff

which would be given through-plane service by a New York-Balboa interchange.

*** ***

The issue of whether the compulsory interchanges to Balboa involve overseas or foreign air transportation and the Board's power to compel such interchanges under Section 1002(i) was discussed at pages 142-145 of the Examiner's Report served January 23, 1952, and by the carriers on brief and in oral argument. Since there were no new contentions on that point set forth in the reopened hearing, no further attention will be devoted to that question herein.

*** ***

The evidence in the reopened hearing discloses that many difficulties experienced by Braniff at Havana in 1951 relating to adequacy of airport and terminal facilities and clearance of passengers and baggage have been or are in the process of being removed. However, the evidence discloses passengers transiting Cuba on the same aircraft are required to get out of the airplane at Havana and comply with certain health and immigration procedures at a cost of $2.50 and that efforts to eliminate this procedure have been unsuccessful. The evidence also shows that Braniff cancelled all northbound DC-6 service into Havana July 1, 1953, and operated them nonstop between Balboa and Miami since on flights operated into Havana Braniff was unable to match the competitive service of Panagra whose passengers are not subjected to these difficulties. This evidence of difficulties experienced by through passengers demonstrates that, if Braniff is to participate in any interchange to provide through-plane service, the interchange point should be Miami instead of Havana. * * *

*** ***

[fol. 1546] Order No. E-9109

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.
on the 23rd day of November, 1954

Docket No. 4882 *et al.*

In the matter of the

REOPENED NEW YORK-BALBOA THROUGH
SERVICE PROCEEDING

ORDER

A full public hearing having been held in the above-entitled proceeding, and the Board, upon consideration of the record, having issued its opinion containing its findings, conclusions, and decision;

IT IS ORDERED:

1. That the certificate of public convenience and necessity issued to Braniff Airways, Inc., pursuant to Order Serial No. 4793 dated May 17, 1946, be amended and issued in the form attached hereto;

2. That said amended certificate of public convenience and necessity shall be signed on behalf of the Board by its Chairman, shall have affixed thereto the seal of the Board attested by the Secretary, and shall be effective sixty days after the date of its approval by the President of the United States;

3. That the application of Eastern Air Lines, Inc., in Docket No. 5086, for authority to serve Havana, Cuba, be and it hereby is denied;

[fol. 1546a] 4. That except as otherwise granted herein, all applications consolidated herein for authority to engage in overseas or foreign air transportation be and they hereby are denied.

By the Civil Aeronautics Board:

/s/ M. C. Mulligan
M. C. Mulligan
Secretary

(SEAL)

THE WHITE HOUSE

APPROVED:

/s/ Dwight D. Eisenhower

April 18, 1955

[fol. 1547]

Issued pursuant to
Order No. E-9109

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

CERTIFICATE OF PUBLIC CONVENIENCE
AND NECESSITY
(as amended)

BRANIFF AIRWAYS, INC.

is hereby authorized, subject to the provisions hereinafter set forth, the provisions of Title IV of the Civil Aeronautics Act of 1938, as amended, and the orders, rules, and regulations issued thereunder, to engage in air transportation with respect to persons, property and mail, as follows:

1. Between the terminal point Houston, Texas, the intermediate points Havana, Cuba, Balboa, Canal

Zone, Bogota, Colombia, Quito and Guayaquil, Ecuador, Lima, Peru, La Paz, Bolivia, and Asuncion, Paraguay, and (a) beyond Asuncion, Paraguay, the intermediate point Sao Paulo, Brazil, and the terminal point Rio de Janeiro, Brazil, and (b) beyond Asuncion, Paraguay, the terminal point Buenos Aires, Argentina;

2. Between the terminal point Miami, Fla., the intermediate point Havana, Cuba, and the terminal point Balboa, C. Z.

The service herein authorized is subject to the following terms, conditions, and limitations:

(1) Notwithstanding any other provision of this certificate, as amended, the holder shall at all times conduct its operations in accordance with all treaties and agreements between the United States and other countries, and the exercise of the privileges granted by this certificate, as amended, shall be subject to compliance with such treaties and agreements and to any orders of the Board issued pursuant to, or for the purpose of requiring compliance with, such treaties and agreements.

(2) The holder shall render service to and from each of the points named herein, except as temporary suspensions of service may be authorized by the Board; and may begin or terminate, or begin and terminate, trips at points short of terminal points.

[fol. 1547a] (3) The holder may continue to serve regularly any point named herein through the airport last regularly used by the holder to serve such point prior to the effective date of this certificate, as amended; and may continue to maintain regularly scheduled nonstop service between any two points not consecutively named herein if nonstop service was regularly scheduled by the holder between such points prior to the effective date of this certificate, as amended. Upon compliance with such procedure relating thereto

as may be prescribed by the Board, the holder may, in addition to the service hereinabove expressly prescribed, regularly serve a point named herein through any airport convenient thereto, and render scheduled nonstop service between any two points not consecutively named herein, between which service is authorized hereby.

(4) The exercise of the authority granted herein shall be subject to there being first obtained from the appropriate foreign government such operating rights as may be necessary.

(5) In operations conducted pursuant to the authorization set forth and described in route segment "1" above flights serving the intermediate point Havana, Cuba, shall originate at Houston or a point in the United States and terminate at a point in South America, or originate at a point in South America, and terminate at Houston or a point in the United States.

(6) The holder shall render service pursuant to the authorization set forth and described in route segment "2" above only on through-plane flights (a) which are operated by interchange of equipment between the holder and Eastern Air Lines, Inc., (b) which originate at New York, N. Y./Newark, N. J., and terminate at Balboa or points south thereof or originate at Balboa or a point south thereof and terminate at New York, N. Y./Newark, N. J., and (c) which do not serve points north of Miami, Fla., on Eastern Air Lines' route No. 6 other than points on the Miami-New York/Newark segment of said route.

The exercise of the privileges granted by this certificate, as amended, shall be subject to such other reasonable terms, conditions, and limitations required by the public interest as may from time to time be prescribed by the Board.

This certificate, as amended, shall be effective sixty days after the date of its approval by the President of the United States: *Provided, however,* That prior to the date on which

the certificate, as amended, would otherwise become effective the Board, either on its own initiative or upon the filing of a petition or petitions seeking reconsideration of the Board's order of November 23, 1954 (Order No. E-9109), insofar as such order authorizes the issuance of this certificate, as amended, may by order or orders extend such effective date from time to time.

[fol. 1548] IN WITNESS WHEREOF, the Civil Aeronautics Board has caused this certificate, as amended, to be executed by its Chairman and the seal of the Board to be affixed hereto, attested by the Secretary of the Board, on the 23rd day of November, 1954.

/s/ Chan Gurney

CHAN GURNEY
Chairman

(SEAL)

ATTEST:

/s/ M. C. Mulligan
Secretary

THE WHITE HOUSE

APPROVED:

/s/ Dwight D. Eisenhower

April 18, 1955

[fol. 1549] Order No. E-9110

UNITED STATES OF AMERICA
CIVIL AERONAUTICS BOARD
WASHINGTON, D. C.

Adopted by the Civil Aeronautics Board
at its office in Washington, D. C.,
on the 23rd day of November, 1954

Docket No. 4882 *et al.*

In the matter of the

REOPENED NEW YORK-BALBOA THROUGH
SERVICE PROCEEDING

ORDER

A full public hearing having been held in the above-entitled proceeding, and the Board, upon consideration of the record, having issued its opinion containing its findings, conclusions, and decision, which is attached hereto and made a part hereof;

IT IS ORDERED:

1. That the application in Docket No. 4846, as amended, for approval of the Interchange Agreement between Eastern Air Lines, Inc. (Eastern) and Pan American World Airways, Inc., be and hereby is denied;

2. That the record in this proceeding be and hereby is held open for 60 days from the effective date of this order to the extent necessary to permit Eastern Air Lines, Inc., and Braniff Airways, Inc., to enter into and file with the Board for approval an interchange agreement providing for through service between New York on Eastern's route No. 6, and Balboa, Canal Zone, and points south thereof on Braniff's South American route;

3. That the record in this proceeding be and hereby is held open for 60 days from the effective date of this order

to the extent necessary to permit National Airlines, Inc. (National), and Pan American-Grace Airways, Inc. (Panagra), to enter into and file with the Board for approval an interchange agreement providing for through service between New York, on National's route No. 31, and Balboa and points on Panagra's route in South America using Panagra equipment north of Balboa;

4. That decision on the application for approval of the Through Flight Agreement in Docket No. 3787, and the National-Panagra Interchange Agreement in Docket No. 3785 be and it hereby is deferred;

[fol. 1549a] 5. That decision on the Board-instituted proceeding in paragraph "8" of Order Serial No. E-5205, adopted March 16, 1951, with respect to a compulsory interchange operation between Eastern and Braniff, be and hereby is deferred.

6. That the proceeding instituted in paragraph "4" of Order Serial No. E-5205, that instituted in paragraph "7" thereof, insofar as it relates to the extension of Eastern's route No. 6, and that instituted in paragraph "1" of Order Serial No. E-5389, dated May 18, 1951, be and they hereby are dismissed;

7. That, except to the extent otherwise granted in this order or in Order No. E-9109, issued contemporaneously herewith, or deferred or dismissed herein, all applications, petitions and proceedings consolidated herein should be denied.

By the Civil Aeronautics Board:

/s/ M. C. Mulligan

M. C. Mulligan
Secretary

(SEAL)

[fol. 1550]

GOVERNMENT'S EXHIBIT 1131

(Emblem)

Cable Address
"PANAGRA"

PAN AMERICAN-GRACE AIRWAYS, INC.

OFFICE OF THE PRESIDENT
7 HANOVER SQUARE
NEW YORK 5, N. Y.

November 26, 1956

Board of Directors
Pan American-Grace Airways, Inc.
135 East 42nd Street
New York 17, N. Y.

Gentlemen:

Attached are the results of a detailed planning study conducted by the Management as part of its responsibility to apprise the Directors of various conditions, both economic and operating, which are influencing the company's growth.

The attached report is an attempt to examine the financial and operating aspects of Panagra objectively and in the light of the changing air transportation picture in the Western Hemisphere.

It is abundantly clear to the Management that if Panagra is to provide for the travelling public a thoroughly satisfactory type of service between the United States and Latin America, in the face of steadily increasing foreign flag competition, it must without further delay petition the Civil Aeronautics Board for extension of its certificated routes to the United States Atlantic and Pacific seaboards which furnish the bulk of international traffic to the West Coast of South America and Buenos Aires.

[fol. 1551] Panagra's situation is a desperate one. It is unique as the only U. S. international carrier without a terminal in the United States and, moreover, the only air-

line that has been forced into an attempt to meet the public demand for its service by leasing its aircraft to not one but two other carriers.

Between 1946 and 1955, U. S. international carriers increased the total route miles operated by 112%; Panagra holds the dubious distinction of having had its route miles *decreased* by 12% in the same period.

Because Panagra's route structure, with its terminal points at Buenos Aires and the Canal Zone, is long and lean, it is hampered both by inflexibility and overhead/operating costs which are disproportionate for the industry. The fixed operating expenses which accrue irrespective of the mileage flown are inordinately high, on the basis of available ton miles, because of the route limitations. Nor would an increase of available ton miles on the present routes furnish a solution to this imbalance.

The only logical solution is the extension of Panagra's routes to markets which will share the fixed overhead expenses and permit profitable load factors.

Concomitant with these fixed expenses is the condition of inflexibility which contributes to them and at the same time fetters the operations when local political/economic reversals adversely influence traffic. Illustrative of this is [fol. 1552] the difficulty in the Argentine—an area which generated as a point of origin or destination 54% of Panagra's passenger revenue miles in 1955 and which in the first quarter of 1956 was off 17.7%. Because Buenos Aires is a crucial terminal for long haul passenger revenue, because there was no other area in Panagra's route structure which could absorb this reduction, and because it was necessary to maintain service to Buenos Aires, Panagra's overall transportation revenues barely offset the operating expenses. At the same time, Pan American's LAD, which also serves Buenos Aires as a terminal on its East Coast route and thereby suffered a traffic loss, was able to spread its fixed costs over a broad base and to absorb these reverses in other sectors of its LAD network which showed a significant increase in revenue passenger miles in the first quarter 1956/1955 of 14%.

Closely allied to the problems of inflexibility and high operating costs is the low utilization of equipment permitted by Panagra's long thin route. The maintenance of schedule regularity demanded of a first-class international carrier serving this long haul traffic requires not only a high level of aircraft, instrument, and engine maintenance but standby equipment as well. Unfortunately, there are no areas on Panagra's route which standby equipment can economically serve. Moreover, valuable flight time prior to scheduled overhaul of aircraft is frequently lost because there are fewer flying hours remaining than are required to complete the round trip to South America from the [fol. 1553] United States. Much of this loss would be eradicated by the extension of Panagra's route not only as recommended in the attached report but also by other route extensions which additional studies may prove desirable and in the public interest.

That through service between New York and Buenos Aires via the West Coast of South America is in the public interest has been manifested not only by the Panagra/Pan American Through Flight Agreement of 1946 but by the award of extensive routes to Braniff in the same year, the Braniff unsolicited Miami exemption, and approval of the Panagra and Braniff interchanges providing service to New York. The report illustrates fully the traffic pattern that has been developed in the past decade between South America and Miami via Balboa. Since 1946, the Balboa-Miami operation has grown from that of the DC-4 (5½ hours) to the DC-7B (4 hours) and is now on the threshhold of the DC-8 (2½ hours). Operations Miami-Lima nonstop will undoubtedly be required as will the traffic demand to fly New York-Lima nonstop. Such long range jet operations are patently impracticable under through flight or interchange agreements.

When Panagra and Pan American entered the Through Flight Agreement in 1946 DC-6's were on order at a purchase price of approximately $700,000 per aircraft. In January 1956, Pan American gave formal notice to Panagra that it wished, pursuant to the Agreement, to renegoti-

ate, among other matters, the investment base upon which [fol. 1554] Panagra's return was predicated. The advent of the DC-7B at a unit cost of $2,100,000 thus allegedly distorted Pan American's position with respect to the Agreement. If one were to assume such distortion to be, in fact, true; it is manifest that DC-8's at a unit cost of $5,000,000 will create even greater concern. Moreover, Pan American suggests that the basis for the calculation of charter hire and return on investment under the Through Flight Agreement should be similar to that negotiated with National by Panagra and Pan American under circumstances which virtually constituted duress. Panagra was forced into the Interchange Agreement by an ultimatum issued by the Civil Aeronautics Board and thus negotiated at an unconscionable disadvantage. Furthermore, the Panagra/National operation is financially detrimental to Panagra because its reimbursement is predicated on the lower expense levels of the domestic carrier and these are entirely unrealistic for an international carrier.

The attached report establishes that it is reasonable to expect Panagra to earn in 1957, without subsidy and before taxes, $1,062,000 operating the Balboa-Miami sector on its own certificate. These earnings are $666,000 *more* than the $396,000 it could expect as a return under the Through Flight—a return which Pan American now alleges to be excessive. With extension of the route to New York, the 1957 earnings for that sector are estimated at $365,000 versus a $358,000 loss under the National interchange. Extension [fol. 1555] tension of the route from Balboa to California will provide additional operating earnings of $442,000.

Similarly, the interchange operation with National Airlines is inimical to Panagra's interests. The difficulties inherent in attempting to operate an international service under an interchange agreement with a domestic carrier have manifested themselves in numerous ways. They have proved conclusively that such interchanges are most undesirable not only from the international carrier's viewpoint but from that of the public interest as well. In terms of prestige, the United States has suffered and will continue to suffer unless the foreign traveller is provided the same

high quality of service during his entire flight to destination as is offered by numerous foreign flag carriers and by the U. S. flag international carrier to and from the U. S. port of entry.

Panagra's reputation and good will are suffering from the National operation of the interchange. Passenger complaints on the interchange have been numerous with respect to the poor standards of passenger service particularly aloft but at the Miami and Idlewild terminals as well. Delays on the domestic portion have been inexcusably excessive and the disruption of Panagra's schedules to South America are of vital concern. Attempts by Panagra's Management to correct these domestic deficiencies have been met not only with apathy but resistance by National.

Another illustration is the labor difficulties National has experienced with its pilots. Should a strike materialize, [fol. 1556] Panagra would suffer the interruption of through service to New York—even though it is not a party to the dispute.

Mixing international and domestic services is like mixing oil and water. When this loss of good will to Panagra is calculated along with the financial deficit resulting from the interchange operation, it is obviously imperative that the company make every effort to secure its own route and provide adequate service between the northeastern United States and Buenos Aires via the West Coast of South America.

In addition to the strictly economic factors which dictate the necessity of Panagra's application for extension of its own route from Balboa to New York and to California, another consideration must be recognized—the further obligation which a corporation has to the people who work for its success, the employees. Some of Panagra's 1400 employees have devoted twenty-odd years to the company's success and have exerted their best efforts in the belief that the company was providing a valuable service and one that would expand in scope throughout the years.

With regard to subsidy, which has been necessary to augment Panagra's meager revenues from its thin routes,

the history of the airline industry offers numerous examples of the elimination of subsidy need by the extension of routes which permit an increase in passenger and cargo [fol. 1557] revenues. It is the earnest endeavor of the Panagra Management to operate the airline independently and without the need for Federal subsidy. It is quite clear on the other hand that with the rising operating costs, and particularly extensive re-equipment costs, Panagra will need substantially greater subsidy payments to realize a 9% return after taxes than it would if granted route extensions and permitted thereby to reduce expenses per available ton mile and increase overall revenues.

I appreciate, of course, that the Directors will require time for consideration of the report herewith submitted. I most earnestly urge that the matter be approached by the Directors in the spirit in which it is submitted—that is, that the proposed route extensions are urgently required in the interest of the travelling public, which is paramount, and in the interest of the stockholders.

I plan to include this matter on the agenda of the regular Directors Meeting to be held on January 7, 1957. Thus, the Directors will be afforded ample time for deliberation.

At the meeting I shall request the Board's authority to file promptly with the Civil Aeronautics Board the application for the route extension to Miami, Washington, and [fol. 1558] New York and also to Mexico City, Los Angeles and San Francisco.

Please do not hesitate to call on me for any assistance I may be able to render.

Andrew B. Shea
President

Erwin Balluder, Esq.
E. L. Farrell, Jr., Esq.
H. J. Friendly, Esq.
F. E. Larkin, Esq.
Roger Lewis, Esq.
Franklin Moon, Esq.
W. L. Morrison, Esq.

[fol. 1560]

GOVERNMENT'S EXHIBIT 1132

(Emblem)

PAN AMERICAN WORLD AIRWAYS SYSTEM
CHRYSLER BUILDING, 135 EAST 42ND STREET,
NEW YORK 17, N. Y.

EXECUTIVE OFFICES

November 30, 1956

Mr. Andrew B. Shea
Executive Vice President
W. R. Grace and Company
7 Hanover Square
New York 5, New York

Dear Andy:

This will acknowledge, on behalf of Messrs. Balluder, Friendly, Morrison and myself, the nine-page letter which we received from you on November 27, enclosing a so-called "Management" Panagra Route Extension Study, consisting of 132 pages plus 26 annexed tables.

If this had been a true "management study", the Board of Directors would naturally have been informed about it while the large amounts of the time and effort of company employees required for its preparation were being expended. Even a quick reading is enough to show that the "study" is not a balanced and objective presentation of Panagra's situation but simply reflects the views of the Grace ownership.

Despite the foregoing, we shall give careful study to this document and will do our best to be ready to discuss it on January 7, 1957, as you request.

We are, indeed, pleased to find that the Grace ownership now agrees as to the need for through service between the Pacific Coast of the United States and points on Panagra's route. This makes it all the more regrettable that when Pan American proposed this some years ago, the Grace

interests declined to permit Panagra to enter into an interchange agreement that would have provided this needed service. We hope this through service can soon be implemented.

Sincerely yours,

/s/ Roger Lewis
Roger Lewis
Executive Vice President

[Marginal Notations—Rec'd 5:PM—11/30/56—Initials illegible—cc. JPG—Name illegible—WFC—Ed J]

[fol. 1562]

Government's Exhibit 1134

(Emblem)

PAN AMERICAN WORLD AIRWAYS SYSTEM
Chrysler Building, 135 East 42nd Street,
New York 17, N. Y.

EXECUTIVE OFFICES

January 10, 1957

Mr. Andrew B. Shea
Executive Vice-President
W. R. Grace and Company
7 Hanover Square
New York 5, New York

Dear Mr. Shea:

The Directors of Pan American-Grace Airways, Inc. representing the half ownership of Pan American World Airways, Inc. have examined the proposal, made in your letter of November 26, 1956, that Pan American-Grace should now apply to the Government for certificates for 5700 miles of new routes. These routes would be between the Canal and Miami, over which Panagra's aircraft now fly under a 99-year Through Flight Agreement with Pan American approved by the Civil Aeronautics Board in 1947 and again in 1955; between Miami and New York, over which Panagra's aircraft now fly under an interchange agreement with National approved by the Board in 1955; and between

the Canal and California, as to which the Grace management of Panagra refused in 1954 to permit Panagra to enter into an interchange agreement with Pan American.

It is, of course, obvious, despite the effort to disguise this, that you are making this proposal for wholesale repudiation of agreements concluded with Pan American both by Grace and by Panagra with Grace's full assent, not as [fol. 1563] hold-over President of Panagra but as a senior officer of the Grace empire, whose ships parallel Panagra's route down the West Coast of South America. Although nearly 30 years of experience should have taught us how Grace regards contracts between us, we must confess our sense of shock at the utterly casual attitude taken toward agreements concluded under the circumstances of those here involved.

The Through Flight Agreement of 1946 between Pan American and Panagra and the companion agreement between Pan American and Grace were 99-year agreements, intended, as your own then senior officer swore to before the Civil Aeronautics Board, as a complete and final solution, so far as the parties were concerned, of the question of through air service north of the Canal to Miami and beyond. The agreements contain detailed provision for notice to Pan American in the event of any claim that it was failing to perform its obligations, and for arbitration if Pan American then failed to cure any such alleged defaults. We have never been, and are not now, advised of any such alleged failure on Pan American's part. Indeed, Pan American has gone beyond the 1946 agreements and proposed to you some years ago a second through flight agreement to provide the through American-flag service between California and points on Panagra's route, which is so important both to the national interest and to Pan American's interest as half owner of Panagra and as operator of the California-Canal route under a certificate approved by the President. Grace blocked this proposal, as it had previously blocked Pan American's proposals of 1938 and 1941 for through service between the [fol. 1564] West Coast of South America and Miami.

During the nearly ten years since the Through Flight Agreement has been effective, Grace has reaped its benefits,—benefits which, as your then senior officer testified, would not have been realized if Panagra had its own certificate north of the Canal. These benefits included having the through flights operated exclusively with Panagra's equipment and crews, in contrast to the industry practice of reciprocity; favorable financial terms; the maintenance of Panagra's aircraft in Pan American's shops; and the training of Panagra flight personnel by Pan American. Pan American has loyally discharged all its obligations under the Agreement,—even to the extent of making double payment to the Pan American pilots displaced by Panagra pilots on the Canal Zone-Miami route.

When we read the present Grace proposal to treat these agreements of 1946 also as mere scraps of paper, we cannot help but recall both the assurances to the Government by your senior officer ten years ago that this was intended to be a virtually perpetual contract, and your own sworn testimony, given on two separate occasions before the Civil Aeronautics Board and true today as it was then, that performance under the Agreement had been of great benefit to the traveling public and entirely satisfactory to both parties.

The concluding portion of your proposal recognizes the urgent need of improved service between the West Coast of the United States and points on Panagra's route. This is something which we have urged for some years. Grace blocked Panagra from doing this except on a basis whereby [fol. 1565] Panagra, while retaining 100% of all profit, would be guaranteed by Pan American against any loss. When Pan American agreed to accept this unheard of demand in an effort to get this needed public service started, Grace insisted that the interchange serve no point south of Lima. Finally, when a formula to meet this roadblock was developed, Grace took the position that nothing could be done to provide through American-flag service from California until all matters then at issue between the Panagra pilots and the Pan American pilots were settled. Al-

though such a settlement was reached in 1955, on a basis calling for operation of the California interchange flights exactly as Pan American had suggested, we did not receive any indication until your recent letter that you would be willing to acquiesce in through service from California.

Since Grace now recognizes the need of through service between California and points on Panagra's route, we are again submitting an equipment interchange agreement for through plane operation between San Francisco and Los Angeles and Lima and Buenos Aires via the Canal. This agreement is in line with normal industry practice, taking account of the existing agreement with respect to the Miami flights, and conforms fully with the contract made between our respective pilots. We urge the Grace directors of Panagra to join with us in authorizing Panagra to execute such an agreement, so that this long delayed public [fol. 1566] service to California may be speedily commenced.

Very truly yours,

/s/ E. Balluder
Erwin Balluder

/s/ Henry J. Friendly
Henry J. Friendly

/s/ Roger Lewis
Roger Lewis

/s/ W. L. Morrison
Wilbur L. Morrison

Directors of Pan American-Grace Airways, Inc., nominated by Pan American World Airways, Inc.

[fol. 1568]

GOVERNMENT'S EXHIBIT 1135

Minutes of Adjourned Regular Meeting of the Board of Directors of Pan American-Grace Airways, Inc held at the office of Pan American World Airways, Inc, 135 East 42nd Street, New York, N Y on the 10th day of January, 1957 at 4:00 o'clock in the afternoon.

PRESENT:

Messrs Erwin Balluder
Edward L Farrell, Jr
Henry J Friendly
Felix E Larkin
Roger Lewis
Franklin Moon
Wilbur L Morrison
Andrew B Shea

being all the members of the Board.

Mr Shea, President, presided. Mr Cogswell, Secretary, acted as such.

Minutes of Regular Meeting of December 3, 1956 were read and approved.

The following financial data were submitted and discussed:

Comparative Statement of Profit and Loss for the month of November, 1956 and eleven months ended November 30, 1956 and 1955.

Comparative Operating Statistics for month of November, 1956 and eleven months ended November 30, 1956 and 1955

Statement of Cash Position as at December 31, 1956 and Comparison with September 30, 1956 and December 31, 1955

Cash Position Forecast for Year Ending December 31, 1955

The President reported:

(1) Estimated Profit and Loss for 1957

(2) Negotiations had been completed for the sale to Faucett of DC-4 airplane, License No. N8816, with engines, [fol. 1569] for $550,000, as authorized by the Board at meeting of October 1, 1956.

~~(3) The death of William~~ Harley, passenger service representative at Idlewild Airport and the payment to his mother of the equivalent of his salary to March 31, 1957.

The President presented for attachment to the minutes of the meeting letter of November 26, 1956 and Route Extension Study accompanying same, containing recommendations of the management as to route extensions, which had been delivered to each Director on November 27, 1956.

Mr Larkin thereupon offered the following resolutions which were seconded by Mr Farrell:

RESOLVED, that the officers of this Corporation be, and they hereby are, authorized and directed to take all steps including the filing of the necessary application to the Civil Aeronautics Board to the end of obtaining an amendment to the Corporation's certificate of public convenience and necessity authorizing it to engage in air transportation over the route between Balboa and New York and intermediate points described and recommended in the letter of the President to all Directors dated November 26, 1956 and in the Route Extension Study dated November 1956 attached thereto, copies of which were presented to each director on November 27, 1956.

RESOLVED, that the officers of this Corporation be, and they hereby are, authorized and directed to take all steps including the filing of the necesary application to the Civil Aeronautics Board to the end of obtaining an amendment to the Corporation's certificate of public convenience and necessity authorizing it to engage in air transportation over the route between Balboa, Mexico City and Los Angeles and San

Francisco as co-terminals described and recommended in the letter of the President to all Directors dated November 26, 1956 and in the Route Extension Study dated November 1956 attached thereto, copies of which were presented to each director on November 27, 1956.

[fol. 1570] Mr. Friendly presented for attachment to the minutes of the meeting letter to Mr. Shea dated January 10, 1957, signed by Messrs. Balluder, Friendly, Lewis and Morrison.

Mr. Shea stated that he would reply to the foregoing letter with the understanding that his reply letter would be attached to the minutes of the meeting

Mr. Friendly stated that the right was reserved to reply to Mr. Shea's letter and, if such reply were made, to have it attached to the minutes of the meeting.

Vote being had, Mr. Larkin's resolutions failed to pass, Messrs. Farrell, Larkin, Moon and Shea voting in favor, and Messrs. Balluder, Friendly, Lewis and Morrison voting against.

Mr. Lewis referred to the proposals made by Pan American some years ago for the establishment of through plane service from California by Panagra's chartering Pan American aircraft now flying over Pan American's route between California and Panama for operation over Panagra's route beyond, and to the failure of these proposals because of their being blocked by W. R. Grace & Co. He also referred to the present recognition by W. R. Grace & Co. of the importance of through American-flag air service from California to points on Panagra's route. He stated that, in the light of this, Pan American had revised the draft interchange agreement prepared some years ago, presented copies of a draft agreement as so revised, and asked that one of these be filed with the minutes of the meeting.

Mr. Lewis thereupon made the following motion, which [fol. 1571] was seconded by Mr Balluder:

RESOLVED, that Pan American-Grace Airways, Inc. conclude with Pan American World Airways, Inc., a suitable equipment interchange agreement for the institution of through plane service over Pan American's route from San Francisco and Los Angeles to Panama and Panagra's route beyond, such service to be provided with Pan American aircraft and flight crews, in line with the agreement reached between the pilots of the two companies, until a basis of reciprocity between the two companies had been achieved, and apply to the Civil Aeronautics Board for approval of such agreement, to the end that through American-flag air service between California and points in South America served by Panagra may be made available to the public at the earliest possible date; and

RESOLVED, that the President report to the next meeting of the Board of Directors the progress made by him in carrying out the foregoing resolution.

Vote being had, Mr. Lewis's resolution failed to pass, Messrs Balluder, Friendly, Lewis and Morrison voting in favor, and Messrs Farrell, Larkin, Moon and Shea voting against.

There being no further business, the meeting adjourned.

/s/ ANDREW B SHEA
Chairman

/s/ W F COGSWELL
Secretary

[fol. 1573]

GOVERNMENT'S EXHIBIT 1139

PAN AMERICAN-GRACE AIRWAYS, INC.

ROUTE EXTENSION STUDY

November 1956

[fol. 1574]

PANAGRA: PROPOSED ROUTE EXTENSIONS

GENERAL STATEMENT

Panagra's basic route structure has remained static since the passage of the Civil Aeronautics Act of 1938. In fact, since the first postwar year, 1946, Panagra's route mileage has actually shrunk by 11%. This shrinkage has resulted from loss of cabotage rights in certain countries, and from abandonment of operations made obsolete by introduction of modern four-engine equipment. There has been no offsetting expansion to new markets made possible by the new equipment despite:

(1) Remarkable growth in the population, wealth, production and trade of Latin American countries. See Annex A.

(2) A doubling, between 1949 and 1955, in the number of air travelers between the United States and South and Central America, with the prospect of undiminished growth in the future. See Annex B.

(3) A highly successful common carrier operation and quality of service achieved by Panagra on its present routes. See Annex C.

[fol. 1575] (4) A forward thinking equipment program, consistently maintained since the inception of the airline, and which now provides for the early introduction of long-range jet aircraft. See Annex D.

(5) Entry of a competitive United States flag carrier possessing an extensive domestic system (Braniff Airways) into every major market served by Panagra with the exception of Chile, plus several major South American cities not on Panagra's routes. See Annex E.

(6) Route expansion of Pan American World Airways Latin American Division by 10%, and of Pan American's numerous foreign affiliate air carriers throughout Central and South America by 160%, since 1946. See Annex F.

(7) Creation or expansion of at least 25 foreign air carriers, not affiliated with Pan American, in this area of the world. Many of these carriers as well as new ones are contemplating or have actually applied for route extensions. Foreign carriers accounted for 35% of U.S.-South American air traffic in 1954-5. See Annex G.

(8) A constant and impressive route growth by U. S. certificated air carriers, other than Panagra, both [fol. 1576] domestically and throughout the world. See Annex H.

If Panagra is to be permitted to participate fully in the economic growth of the part of the world it now serves so well, it is imperative that Panagra file promptly and prosecute vigorously new route applications before the Civil Aeronautics Board. The new routes proposed in this memorandum represent a natural and logical development of Panagra's existing route structure and service pattern.

The major deficiency of Panagra's present route structure is the lack of direct access to the continental United States. The United States is the richest air travel market in the world and the principal source of Panagra's passengers and cargo. Panagra, which has been engaged in Latin American air operations since 1928, is a logical and deserving carrier to connect South America with the United States on its own certificate. Panagra is the *only* certificated United States air carrier (except for small territorial carriers) which does not have a point of entry into the United States.

The addition of the routes proposed below would create for Panagra a well integrated route structure with both a broader and a higher-density mileage base. An important [fol. 1577] effect of this is to bring Panagra's ground and indirect expense ratios into closer relation with the rest of the airline industry. They have been disproportionately

high because Panagra has not been able to enlarge and integrate its route structure to encompass stronger traffic points. To illustrate the need, Panagra carries only 10.29 revenue ton miles per route mile per day, compared to 23.29 for Pan American's competitive Latin American Division. (See Annex J).

The time for submitting the applications is ripe. Many proceedings are already on the C.A.B. docket at various procedural stages which affect Panagra's growth prospects. (See Annex K). In the past year or so the C.A.B. has made or proposed route awards to every medium-size United States air carrier except Panagra. (See Annex H). In these cases the Board has made a deliberate and far-reaching effort to expand the systems of the middle and small size trunk carriers. The same new policies which have led to the substantial domestic expansion of carriers such as Braniff, Delta, Continentel and Capital apply with equal force to Panagra in the international sphere. It would be a major loss of opportunity for Panagra not to capitalize on this new and fundamental policy turn.

[fol. 1578] There is a further reason for pressing the route applications at this time. That is, if Panagra is to be more than temporarily self-sufficient, it must grow! In fact, an airline today must expand to broader markets simply to keep even with the burgeoning airline industry. The real prospect that Government subsidy support for international airlines may be eliminated means that Panagra must increase its efforts to explore and exploit every new source of revenue possible. The only major route applications which Panagra now has on file with the C.A.B. is to add the intermediate point of Bogota on Panagra's present main route and to obtain authority to operate an inland route in South America Balboa-Bogota-Iquitos-La Paz-Buenos Aires. However, these proposals to improve Panagra's service within South America, important as they are, do not meet Panagra's central need—to gain the full revenues from U.S.-South America West Coast air traffic.

The proposed route applications presented here are Balboa-Miami, Miami-Washington/New York, and Balboa-Mexico City-Los Angeles/San Francisco. Other possible route extensions have been and are being studied.

PART ONE

BALBOA-MIAMI

TABLE OF CONTENTS

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PART ONE

BALBOA-MIAMI

A. Nature of Application

The application is to extend Panagra's route 1,159 miles north from Balboa to Miami, an increase of 21% in unduplicated route mileage operated. The unrestricted certificate would permit Panagra, on a scheduled basis, to overfly Balboa on flights between Lima and Miami, to carry Balboa-Miami local passengers on those through flights landing at Balboa, and to operate local turnaround service between Balboa and Miami.

It is contemplated that operations initially would be limited to through flights and that Balboa would not be overflown.

Direct entry into Miami, of course, would eliminate the need for the existing through flight arrangement with Pan American over its Balboa-Miami segment.

B. Reasons for Application

As will be developed more fully below, this extension commends itself for the following reasons:

(1) It is the most natural extension trafficwise. Almost one-half of the total number of passengers carried by U. S. air carriers over this segment originate at or are destined to points on Panagra's present routes south of Balboa. One-half of Panagra's long haul traffic goes through Miami. In the first year of operation Panagra would carry in excess of 36,000 through passengers between Miami and points south of Balboa.

(2) It is the most profitable extension possible to Panagra producing an estimated $1,062,000 operating —7—

[fol. 1581] profit in the first year of operation. The sector requires no additional flight equipment. It

would not require any new capital investment or developmental expense, except for the possible establishment of sales offices in Miami and New York.

(3) Panagra would need no subsidy to operate the route. In fact, commercial revenues from Panagra operation of the Miami-Balboa segment would materially help in offsetting the possible loss of Government subsidy support to the rest of Panagra's system.

(4) Panagra aircraft and Panagra pilots already fly over this segment, while the presently certificated carrier —Pan American—offers only minimal service of its own.

(5) It would provide the most direct and important entry into the continental United States for Panagra, the only major U. S. certificated carrier without a terminal in the United States.

(6) It would cure latent difficulties in continuing to operate under the oppressive but still prevailing Pan American Through Flight Agreement. Independent operation would net Panagra an estimated $666,000 more per year before taxes than Pan American would pay Panagra under the existing Through Flight Agreement.

C. Background of Application

Only one previous application has been made formally to the Civil Aeronautics Board to extend Panagra north from Balboa to a terminal within the United States. That application was not dealt with on the merits.

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[fol. 1582] In December 1941 W. R. Grace & Co. petitioned on behalf of Panagra to have Panagra's certificate amended so as to make the northern terminal of its route a point or points in the eastern United States, specifying Miami, Tampa or New Orleans (Docket 707). No formal action was taken on this application. In September 1942 the Civil Aeronautics Board instituted on its own motion the Panagra Terminal Investigation to determine whether Panagra should be extended into the United States (Docket 779).

Pan American intervened to oppose such extension. After a long hearing, the Board issued an order in May 1944 disclaiming jurisdiction to extend Panagra into the United States on W. R. Grace & Co.'s petition (4 C.A.B. 670). The Board's order was reversed by the Second Circuit Court of Appeals in February 1946. The case was remanded to the Board for determination of whether Panagra should be treated as applying for the extension and if so, for action on the merits of the application (154 F.2d 271). Pan American promptly sought review of the court's decision before the United States Supreme Court.

Shortly thereafter, in May 1946, Braniff Airways was awarded extensive routes in South America competitive with those of Panagra. (In awarding these routes to Braniff the Board indicated its receptiveness to a Miami-Balboa application *by Panagra.* Latin American Air Service Case, 6 C.A.B. 857, 914.). The following month, June 1946, Peruvian International Airways filed an application for a foreign air carrier permit to operate between Lima and New York City. (The permit was granted in July 1947, 8 C.A.B. 229.)

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[fol. 1583] Panagra was thus faced with the immediate threat of extensive U.S. and foreign competition over its routes, and with further protracted and expensive litigation before the C.A.B. and in the courts before its corporate right to apply for entry into the United States could be conclusively determined. Panagra therefore entered into a Through Flight Agreement with Pan American in July 1946. The Agreement provides, inter alia, that at Panagra's request its aircraft originated or destined south of Balboa will be flown by Panagra pilots over Pan American's route between Balboa and Miami. Pan American receives the passenger, freight and mail revenues allocable to this segment and pays Panagra direct expenses of the operation, including pilots' wages, plus depreciation on the aircraft for time over the segment and a return on Panagra's investment in the aircraft. The parties to the Agreement, and later the C.A.B., thus recognized that one-plane through service by Panagra into Miami is a public necessity.

The Through Flight Agreement was approved by the C.A.B. in May 1947 for a three year period (8 C.A.B. 50), and operations were commenced almost immediately. Upon application of the parties, the Supreme Court dismissed as moot Pan American's petition for review of the Second Circuit decision (332 U.S. 827). The C.A.B. has subsequently extended its approval of the Through Flight Agreement. This was done most recently in connection with approval of the National Interchange Agreement (Docket 4882), when approval of the Through Flight Agreement was extended to December 31, 1960 or termination of the

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[fol. 1584] Pan American-Grace-Panagra antitrust suit, whichever is the earlier (Order No. E-9481, August 10, 1955).

D. Change of Situation

Although conditionally approved until 1960, the Pan American Through Flight Agreement remains subject to the Civil Aeronautics Board's continuing authority to modify, suspend or terminate its approval of the Agreement. As will be developed below, the different set of facts existing in 1956—ten years after the execution of the Agreement in 1946—warrants a reconsideration of the Agreement's value to the sound development of air transportation.*

This issue was not raised in the recently concluded proceedings concerning the National Interchange Agreement. That proceeding stemmed from a case begun in 1949 and in which hearings were held in 1951. Introduction of the through flight issue in the latter stages of that proceeding, in 1954 and 1955, would only have obscured the primary interchange issue to be decided by the Board—the need for Panagra aircraft to fly through to New York from South America. Now that the need has been recognized and Panagra aircraft are flying through to New York, attention can be given to the separate problem of the Miami-Balboa Through Flight Agreement.

* In this connection, it should be noted that the Attorney General of the United States has charged that the Agreement is unlawful.

The changed situation is due to five major developments which will be discussed separately below:

[fol. 1585] —11—

(1) Growth of Through Traffic and Service

a. *Balboa-Miami is an Integral Part of Panagra's Traffic Pattern.*

The substantially increased volume of traffic carried between Miami and points south of Balboa since 1946 has made the Balboa terminal point for Panagra's route more of an anachronism than a logical point to split traffic rights. The growth in the annual number of Panagra through passengers carried over the Miami-Balboa segment is shown below:

TABLE I

Growth of Panagra through Traffic Between Balboa and Miami

Year	No. of Thru Passengers	Increase Index (1948 = 100)[1]
1946	10,401	75
1947	13,411	97
1948	13,858[2]	100
1949	17,461	126
1950	17,571[3]	127
1951	20,827[3]	150
1952	24,648	178
1953	25,566	184
1954	27,469	198
1955	29,878	216

SOURCE: Company records.

[1] 1948 was first full year of operation of through-flights.

[2] Because of a temporary change in the procedure for reporting interline traffic, the records of Panagra through passengers are incomplete for 1948. The above represents an estimate based on ticket analysis for a four-month period.

[3] Because the accounting department was moved from Lima to New York during 1950, the records of Panagra through passengers are not complete for 1950 and 1951. The above represents an estimate based on figures for seven months in 1950 and nine months in 1951.

[fol. 1586] —12—

The relative importance to Panagra's operations of the Balboa-Miami through passengers who are now carried by Pan American can be further shown as follows:

TABLE II

Revenue Passenger Miles on Through Flights as Percent of Panagra System

Year	Balboa-Miami Thru Flights (000)	Panagra System Total (000)	Balboa-Miami as Percent of System
1948	16,061	103,741	15.5%
1949	20,237	105,968	19.1%
1950	20,365	104,220	19.5%
1951	24,138	127,784	18.9%
1952	28,567	133,288	21.4%
1953	29,631	137,395	21.6%
1954	31,837	150,614	21.1%
1955	34,629	164,329	21.1%

The major portion of Panagra's traffic flow centers on Miami; its long haul routes depend upon planes landing at Miami. This is indicated by the fact that in 1954, 50% of Panagra's long haul passengers enplaned or deplaned at Miami. This is to say that of the 42,308 passengers who traveled 1,000 miles or more on Panagra's routes aboard the same plane, 21,175 went through Miami. This clearly indicates the substantial, indeed, crucial traffic relation Miami has with Panagra's authorized operations south of Balboa. It is fair to say that no other U. S. air carrier has been denied access to a market so vitally tied to its existing system.

[fol. 1587] —13—

b. *Panagra's Through Passengers Constitute the Principal Traffic Between Balboa and Miami.*

Although Panagra does not have a certificate, Panagra through passengers provide a major part of the total traffic volume moving over the segment. As shown below, Pan-

agra through passengers have increased until they now represent almost one-half of all air passengers traveling between Miami and Balboa via United States flag carriers:

TABLE III

Number of Balboa-Miami Revenue Passengers on U.S. Flag Carriers

(Totals for March and September Only for Each Year Indicated)

Year	Panagra Thru	Pan Am Local	Braniff Thru	Braniff Local	Total	Panagra Thru as % of Total
1952	3,666	3,077	1,691	710	9,144	40.1%
1953	4,178	2,715	1,760	736	9,389	44.5%
1954	4,911	2,972	1,625	653	10,161	48.3%

SOURCE: Official C.A.B. Air Line Traffic Surveys.

In 1954, Panagra through passengers comprised an estimated 62% of the passenger movement, including both local and through, carried by Pan American on the through flights and its own local flights:

TABLE IV

Number of Pan American Local and Panagra Through Passengers between Balboa and Miami

1954	P A A Local	Panagra Thru	Total	Thru as % of Total
March	1,483	2,019	3,502	57.7%
Sept.	1,489	2,892	4,381	66.0%
Total	2,972	4,911	7,883	62.3%

SOURCE: Official C.A.B. Air Line Traffic Surveys.

[fol. 1588] —14—

c. *Panagra's Through Flights Have Carried Most of Pan American's Local Passengers.*

Panagra through flight aircraft have handled almost all of the Pan American local passengers. In 1954 an estimated 80% of Pan American local passengers were carried on the Panagra through flights:

TABLE V

Number of Balboa-Miami Revenue Passengers Carried on Panagra Through Flight Aircraft

Month in year 1954	March	Sept.	Total
Total PAA local (CAB Surveys)	1,483	1,489	2,972
Panagra Thru via PAA (CAB Surveys)	2,019	2,892	4,911
Total Local and Thru	3,502	4,381	7,883
Total Local and Thru carried on thru planes (Balboa logs)	3,275	4,051	7,326
PAA local carried on PAA local planes	227	330	557
% of total PAA local	15.3%	22.2%	18.7%
PAA local carried on Panagra thru planes	1,256	1,159	2,415
% of total PAA local	84.7%	77.8%	81.3%

Because Pan American cut its local flight schedules in 1955, the through flights carried an even higher percentage of the Pan American local passengers than in 1954. By 1956, Pan American eliminated all Balboa-Miami nonstop local flights.

The following schedule changes show that since inauguration of the through flights in 1947 Pan American has been able to reduce its own local service to a minimal level and to rely almost entirely upon available space on the through flights for its local passengers:

[fol. 1589] —15—

TABLE VI

Average Weekly Nonstop Balboa-Miami Round Trip Frequencies

Year	Panagra Through Flights	Pan American Local Flights	Total
1946	0	10	10
1947	4	10	14
1948	7	7	14
1949	8	4	12
1950	9	2	11
1951	10	3	13
1952	10	3	13
1953	10	2	12
1954	11	2	13
1955	13	1	14
1956	14	0	14

SOURCE: Official Airline Guide.

Since the beginning of 1956, Panagra DC-7B first class and DC-6B tourist through flight aircraft have offered a weekly nonstop capacity of 1,736 seats between Miami and Balboa. Pan American aircraft on the other hand have offered no nonstop Miami-Balboa service. Pan American did schedule three DC-4 tourist Miami-Kingston-Balboa-Medellin frequencies per week, or a total potential of 372 seats which could be used by Miami-Balboa passengers. However, these planes are not competitive with the Panagra through flights because they are markedly slower, non-pressurized and use a less direct routing.

The volume of through traffic has made the through flights a necessity. The above tables show that the through flights have been able to handle not only the primary through traffic but also the local passengers between Miami and Balboa without a duplication of effort.

[fol. 1590] —16—

(2) Reduction or Elimination of Subsidy

The additional earnings to be gained from Panagra certification over the Balboa-Miami segment would partially

offset the effect of a substantial reduction or elimination of Government subsidy. Such a reduction or elimination appears likely in view of the Board's decisions in recent international mail rate cases and the Staff's position in the pending Panagra mail rate proceeding.

It is abundantly clear that the days of substantial airline subsidization are past. It is fair to say that the prevailing attitude of the Congress, the Bureau of the Budget, the Post Office Department and the Civil Aeronautics Board is to insist that airlines pay their own way as soon as possible. The Government has in recent months indicated its readiness to take drastic steps to spur this development.

This new Governmental subsidy policy represents a fundamental change from the situation existing in 1946 and 1947 when the Through Flight Agreement was negotiated and approved. Panagra must and wants to face this new development by seeking to procure every additional source of commercial income that is reasonably related to its operations and capacity. As will be pointed out in Section E, the estimated profits from an independent Balboa-Miami operation by Panagra would aid measurably in assuring its self-sufficient status.

(3) Difficulties under the Through Flight Agreement.

There are latent difficulties in continuing to operate under the Through Flight Agreement.

[fol. 1591] —17—

A difficulty (which is somewhat beyond the latent stage) concerns one of the basic objectives of the Agreement. This is the provision that Panagra crews operate Panagra aircraft over the Through Flight sector certificated to Pan American in order to enable Panagra pilots and aircraft to be based within the United States.

It was recognized that Panagra is the only major U.S. flag air carrier that does not have a certificated terminus in the continental United States. Such a terminus is virtually imperative for a U.S. carrier, not only for aircraft maintenance reasons but also for personnel reasons. Otherwise, insoluble problems are created both in obtaining and

in retaining qualified American pilots, mechanics and other U.S. citizen personnel. Few such persons are willing to join or stay with an airline when there is no chance of their eventually being based in the United States. They naturally do not wish to preclude themselves or their families entirely from American community life, especially American schools for their children. It was thus a necessity that Panagra arrange for its pilots to operate the through flights into Miami.

However, it must also be recognized that the Pan American-Panagra Through Flight Agreement is the only agreement of an interchange nature in the industry which does not provide for equal flying time by pilots of one interchange partner over the route of the other interchange partner. Since 1946 such a provision has become an ALPA policy in all interchange type arrangements. ALPA has taken a critical attitude towards this aspect of the Through Flight Agreement, as have the Pan American

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[fol. 1592] pilots. Since 1952 Pan American has been required as a result of collective bargaining to pay its pilots trackage overflight pay. However, in a recent C.A.B. mail rate order affecting Pan American's Latin American Division, the C.A.B. disallowed for subsidy purposes in 1955 a PAA expense of $76,000 for trackage pilot pay on Panagra through flights (Order No. E-9869, finalized by Order No. E-9889).

This relatively new union policy, which might have an equitable application in the normal interchange situation, thus conflicts with a major and valid objective of the Through Flight Agreement. A revision of the Agreement cannot cure the problem of overflight pay to Pan American's pilots without destroying a basic objective of the Agreement. As pointed out, it is imperative that Panagra pilots be able to operate the flights over this segment so as to permit Panagra, economically, to base them in Miami. Nor can Panagra afford to reimburse Pan American for its overflight payments. Panagra will be required to utilize every possible cost saving to attain a self-sufficient status and cannot indulge in uneconomic expenditures which are

certain to be disallowed in mail rate proceedings. The overflight pay problem can be eliminated on a sound economic basis only by authorizing Panagra to operate into Miami on its own certificate.

That there are other latent difficulties in the operation of the Through Flight Agreement is indicated by the fact that on January 31, 1956 Pan American requested negotiation under certain major provisions of the Agreement. Pan American has indicated that it wishes to adjust basic aspects of the existing Through Flight arrangement such as

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[fol. 1593] the definition of the investment base on which a return will be paid and the rate of return on investment.

(4) Effect of Operations into New York.

The recent National Interchange Agreement dated August 4, 1955, permits Panagra aircraft to fly directly into New York from Miami, thus firmly establishing a one-plane service pattern over the 5,680 air route miles between New York and Buenos Aires via Miami and Lima. The transportation economics of this long haul service has reduced Pan American's operation of the relatively short Balboa-Miami segment to little more than a burdensome and non-functional legalism.

Rather than an extension into new and heretofore unserved areas, as the C.A.B. in 1944 regarded the application, award of the Miami-Balboa segment to Panagra would be simply filling in an established service pattern. The distance from Miami to Balboa is only 20% of the distance from New York to Buenos Aires.

The C.A.B. in its 1944 order said:

"However, the principal consideration which influences us is the fact that to extend the Panagra system from the Canal Zone to a point in Florida would constitute a basic transformation of the character of the carrier. Panagra, now a connecting carrier as to through traffic between the United States and South America, would be made a carrier directly serving that traffic—and serving moreover in competition with an affiliated com-

pany. There is a fundamental difference between the position of a carrier whose routes stop so far short of the continental United States as those of Panagra and which depends upon connecting carriers for access to traffic to and from that area, and a carrier which has direct access to the continental United States over its own system."

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[fol. 1594] It can no longer be said, in view of existing one-plane operations between Buenos Aires and New York, that extension from Balboa to Miami would effect a "basic transformation of the character" of Panagra. Moreover, notice should be taken of the fact that Panagra's general offices are located in New York City, and that its operational and maintenance headquarters are located in Miami. For the last ten years Panagra aircraft and crews have been regularly serving the traffic south from Miami. Certification into Miami would be recognition of this fact.

It is significant to note that in 1954 the average trip length per passenger for all international and overseas traffic of U. S. flag air carriers was 1,314 miles.* This is 13.4% longer than the 1,159 miles between Miami and Balboa. In 1946, the year in which the Through Flight Agreement was signed, the average passenger trip length for U. S. international carriers was only 1,057 miles. Thus, the evolution of basic transportation patterns since 1946 has made the Miami-Balboa leg a less than average trip for international air passengers. Could the addition of such a segment effect a "basic transformation" of the United States fourth largest international air carrier? Panagra's own average trip length grew from 857 miles in 1946 to 1,178 miles in 1955.

(5) DC-8 Jet Service

The Pan American Through Flight Agreement was ne

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[fol. 1595] gotiated and signed in a period of DC-4 opera-

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* SOURCE: U. S. Civil Traffic Forecasts 1960-1965, C.A.A. August 1955, p. 20.

tions. Its terms were geared to these aircraft and the DC-6s for which orders were then placed.

The DC-6 had a gross takeoff weight of 93,000 pounds and a maximum range, with space limited payload plus fuel reserve, of 2,000 miles. Its cruising speed was approximately 300 miles per hour. The capacity of the DC-6 was 52 passenger seats and approximately 5,000 pounds of cargo and baggage. The purchase price was about $700,000.

Since then, DC-6Bs and DC-7Bs have replaced the DC-6 in the operation of the through flights. By 1960 and 1961, for which preparation must now be made, through flights will be operated with DC-8 jet aircraft. The Panagra Board of Directors has authorized the purchase of four of these new planes powered by the large Pratt and Whitney J-75 turbine engines, with an option on an additional two planes. The first of these will be delivered in early 1960.

Initial estimates by the manufacturer indicate that the DC-8 jet transport will have a gross takeoff weight of 275,000 pounds, triple that of the DC-6. Its range, with payload and fuel reserve, will be 4,000 miles, double that of the DC-6. Cruising speed of the DC-8 will be in excess of 550 miles per hour, 250 miles per hour faster than the DC-6 (and more than twice as fast as the DC-4). Capacity of the DC-8 will be 125 passenger seats and 13,500 pounds for cargo and baggage. This is more than double the capacity of the DC-6. The purchase price of the DC-8 is in excess of $5,200,000 or almost *seven* times the cost of the DC-6.

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[fol. 1596] The coming introduction of DC-8 flights over Panagra's routes will undoubtely create an entirely different type of operation from that which was possible or contemplated in 1946 and 1947. Balboa landings will no longer be operationally necessary, and according to reasonable traffic forecasts upon which the acquisition of the jets was based, it is entirely possible that the landings will not be desirable trafficwise on all flights between New York and Miami on the north and Lima and Buenos Aires on the south.

Balboa-Miami is but a 2½ hour flight for a 550-mile per hour DC-8. The flight took the DC-6 4½ hours.

A Miami-Lima flight will take the DC-8 only 6 hours, and Buenos Aires will be only 3½ hours beyond Lima. This compares to an elapsed DC-6 time from Miami to Lima, via Balboa, of 10½ hours, and beyond Lima to Buenos Aires of 6½ hours.

The nature of jet service will thus require authority to overfly Balboa on some trips.

Prorating the fares, control of aircraft and costs if and when a non-stop flight is operated to the United States from a point south of Balboa is no answer. Such an arbitrary splitting of control and costs in mid-flight is unprecedented and undesirable. If non-stop service between two points is convenient and necessary to the public, as well as technologically feasible, the Act would seem to require that a certificate for the service should be awarded to one carrier, not two, to operate the service—unless a second *competing* service is warranted by a large volume

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[fol. 1597] of traffic and an indicated insufficiency of service. The certificate requirement of the Act is based on the almost axiomatic consideration that a carrier which retains all the revenues and control of a flight will provide better and more efficient service.

Moreover, Panagra should not be made dependent upon Pan American in the operation of its DC-8s, which will provide a highly competitive service to Pan American jet aircraft operating to Buenos Aires via the east coast of South America.

(6) Summary.

To recapitulate, the following developments have occurred since 1946 when the Through Flight Agreement was signed:

1. Growth in through traffic and need for only minimal local service operations Balboa-Miami in addition to through flights.

2. Reduction or elimination of Government subsidy support to Panagra.

3. Union and financial difficulties in continuing to operate under the Agreement.

[fol. 1598] —24—

4. Firm establishment of a Buenos Aires-New York traffic pattern via Miami and Lima.

5. Coming introduction of larger, long-range and highly expensive jet aircraft.

These new developments have rendered the Through Flight Agreement an instrument unconducive to the sound development of air transportation as required by Section 2 of the Civil Aeronautics Act. The new developments have effected a change of situation sufficient to demand a re-examination of the Agreement by the Civil Aeronautics Board. The situation requires recognition of the natural traffic flows which now exist and replacement of the Through Flight Agreement with a Panagra certificate.

[fol. 1599] —25—

E. Estimate of Profit for Future Year

If Panagra itself were to operate Balboa-Miami in 1957 with the same frequencies and equipment as are presently operated under the Through Flight Agreement, it is estimated that the profit and loss statement for that sector would appear as follows:

1957 Profit and Loss Estimate
Panagra Operation of Balboa-Miami Sector
(Dollar amounts expressed in thousands)

Operating Revenues	
Passenger	$ 4,442
Mail Pay—U.S.	296
Mail Pay—Foreign	161
Freight	342
Excess Baggage	215
Total Scheduled Transportation Revenue	$ 5,456
Other Transportation Revenues	—
Total Operating Revenues	$ 5,456

Operating Expenses

Flying Operations	$ 1,165
Direct Maintenance—Flight Equipment	488
Depreciation—Flight Equipment	522
Total Direct Flying Operations Expense	$ 2,175
Ground Operations	$ 458
Ground and Indirect Maintenance	341
Passenger Service	355
Traffic and Sales	650
Advertising and Publicity	250
General and Administrative	149
Depreciation—Ground Equipment	16
Total Ground Operations Expense	$ 2,219
Total Operating Expenses	$ 4,394
Net Operating Income Without Federal Subsidy and Before Income Taxes	$ 1,062
Less Estimated Return on Investment before Taxes from Through Flight Agreement in 1957	$ 396
Net Annual Financial Gain from Independent Operation	$ 666

[fol. 1600] As shown, Panagra's estimated 1957 net operating profit, before federal income taxes and without subsidy, for the sector would be $1,062,000. This estimate is after a full determination of expenses on an additional cost basis, giving effect to a DC-7B and DC-6B operation for the entire year. Traffic and revenues were estimated on a conservative basis. An analysis of the estimated traffic, revenues and expenses is provided in Sections F, G and H immediately following.

The profitable results of an independent Balboa-Miami Operation must be compared to the profit that would be

obtained by continuing to operate under the Through Flight Agreement. It is estimated that under the provisions of the Agreement as presently in effect, Panagra would receive from Pan American in 1957 only $396,000 (before federal income taxes). This amount is computed on the current C.A.B. subsidy allowable basis of a 9% return after taxes (14.5% before taxes) on an allocated investment in flight equipment of $2,633,000. See section J below.

Consequently, Panagra stands to earn in 1957 $666,000 more from an independent operation than by continuing to operate under the Through Flight Agreement.

Moreover, the profit estimate for an independent operation assumes an average passenger load factor of only 56.7%. This load factor results from a conservative analysis of actual Miami-Balboa traffic levels and is somewhat below Panagra's system experience. Panagra aircraft had an average load factor of approximately 58% in 1955, including both through and local passengers over the through flight sector.

[fol. 1601] —27—

F. Estimate of Traffic for Future Year

In the year 1957, it is estimated that Panagra would carry 36,256 through passengers, i.e., those passengers traveling through Balboa in Panagra equipment to or from a point south of Balboa on Panagra's routes. This represents a normal traffic increase of 10% compounded annually over the number of through passengers actually carried on the through flight aircraft in 1955.

It is estimated that Panagra would in addition carry 16,113 local passengers, i.e., those passengers traveling over the through flight sector in Panagra equipment who enplane or deplane at Balboa. This represents a decrease of 20% from the number of local passengers carried by the through flight aircraft in 1955. The reason for the decrease, in spite of an anticipated 10% annual increase in the local traffic level, is to account for competitive nonstop flights which Pan American might provide.

The resultant total of 52,369 local and through passengers that Panagra would carry over the Balboa-Miami sector in 1957 would provide daily DC-7B and daily DC-6B through flights in each direction with an average passenger load factor of 56.7%.

The relative number of first class and tourist passengers as estimated for 1957 and the actual number for 1955 are as follows:

Miami-Balboa

Year	Local PAX 1 Cl.	Local PAX Tourist	Through PAX 1 Cl.	Through PAX Tourist	Local & Through 1 Cl.	Local & Through Tourist	Local & Through Total
1957 (Est.)	5,446	10,667	18,744	17,512	24,190	28,179	52,369
1955	7,857	12,204	15,905	13,973	23,762	26,177	49,939
% Incr./ (Decr.)	(30.7%)	(12.6%)	17.8%	25.3%	1.8%	7.6%	4.9%

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[fol. 1602] The 1955 figures are based on the recorded number of revenue passengers carried over the through flight sector as recorded in the Panagra station logs at Balboa.

The 1957 traffic estimate is believed conservative for the following reasons:

(1) With respect to the local passengers, it is assumed that Pan American would provide competitive nonstop local flights in the event that Panagra were to have an independent Miami-Balboa operation of its own. It is anticipated that Panagra will be able to retain two-thirds of the local passengers to be carried by the through flights in 1957. This is a cautious estimate because: (a) Panagra is already well established and known in the local market, (b) by reason of through traffic support Panagra will be able to continue to provide twice daily frequencies each way; and (c) by reason of the National interchange Panagra will be able to provide one-plane service to Balboa from New York and Washington while Pan American cannot.

(2) Panagra's system experienced a load factor of 59.6% in 1955, 2.9 percentage points above the load factor allowed for Miami-Balboa in 1957.

(3) Actual Miami-Balboa through flight load factors averaged approximately 58% in the year 1955.

(4) Miami-Balboa through passengers showed a weighted average increase of 10.9% over the past five years.

(5) The full effect of the increased tourist frequencies by Panagra aircraft (increased from 5 to 7 per week in each direction in June 1955) will not be felt until 1956.

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[fol. 1603] The 1957 traffic estimates for the through flight sector have been developed in detail as follows:

The Balboa logs reveal that during 1955, 49,939 full fare and half fare passengers flew between Miami and Balboa on Panagra equipment, broken down as follows:

Passengers on Panagra Through Flights in 1955

Local PAX	Through PAX	Total All PAX
20,061	29,878	49,939
40.2%	59.8%	100.0%

Local PAX		Through PAX		Total All PAX	
1 Cl.	Tourist	1 Cl.	Tourist	1 Cl.	Tourist
7,857	12,204	15,905	13,973	23,762	26,177
39.2%	60.8%	53.2%	46.8%	47.6%	52.4%

Revenue passenger miles for scheduled operations of the Panagra system increased in the past four years as follows:

Year	Revenue Passenger Miles (000)	% Increase over Previous Year
1955	160,681	7.8%
1954	149,099	9.6%
1953	136,038	2.1%
1952	133,186	5.9%
1951	125,784	—

Weighted Average % Increase 6.9%

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[fol. 1604] Revenue passenger miles of through passengers over the through flight sector increased during the past four years as follows:

Year	Revenue Passenger Miles (000)	% Increase over Previous Year
1955	34,629	8.8%
1954	31,837	7.4%
1953	29,631	3.7%
1952	28,567	18.3%
1951	24,138	—
	Weighted Average % Increase	10.9%

While revenue passenger miles for the scheduled operations of Panagra increased an average of 6.9% over each of the past four years, revenue passenger miles of through passengers over the through flight sector increased by an average of 10.9% each year. Therefore, a 10% increase during 1956 and 1957 for passengers using the through flight sector on Panagra equipment can be conservatively predicted, especially in view of the now increased frequency of Panagra tourist flights.

Estimated Total Passengers Using the Through Flights in 1957

1955	49,939	—Total Through Flight PAX in 1955
	4,994	—Estimated 10% increase in 1956
1956	54,933	—Estimated Total Through Flight PAX in 1956
	5,493	—Estimated 10% increase in 1957
1957	60,426	—Estimated Total Through Flight PAX in 1957

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[fol. 1605] In 1955 60% of the passengers carried on the through flights were through passengers and 40% were local. The same experience in 1957 would produce the following results:

Estimated Passengers Using Through Flights in 1957
Without Increased PAA Competition

Local PAX	Through PAX	Total PAX
24,170	36,256	60,426

Therefore, Panagra aircraft could expect to carry 24,170 local and 36,256 through passengers over the through flight sector in 1957—provided Pan American does not reinstate local nonstop service between Balboa and Miami.

Even if Pan American were to put on competing local flights, it is estimated that Panagra would keep virtually all of the through traffic. It can be expected that PAA competitive flights would take one-third of the indicated local traffic. This indicated local traffic, as shown by the Balboa logs, is actually overstated in that some through flight passengers deplaned at Balboa for a layover and then continued on at a later date. Thus, the estimated PAA diversion allows for somewhat more than one-third of the local traffic.

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[fol. 1606] It is expected that PAA will keep all of its present local traffic carried by its own equipment plus any increases in that traffic. In other words, there would be no diversion of local traffic by the through flights.

Estimated Passengers Using Through Flights in 1957
With Increased PAA Competition

Local PAX	Through PAX	Total PAX
16,113	36,256	52,369

Between June 1, 1955 and December 31, 1955, when the increased tourist frequency was in effect over the Miami-Balboa sector, the Balboa logs show the following breakdown between first class and tourist passengers:

% of Total Local PAX			% of Total Through PAX		
1 Cl.	Tourist	Total	1 Cl.	Tourist	Total
33.8%	66.2%	100.0%	51.7%	48.3%	100.0%

Assuming roughly the same experience in 1957, the results are:

[fol. 1607] —33—

Estimated Passengers Using Through Flights in 1957 With Increased PAA Competition

Local PAX		Through PAX		Total PAX	
1 Cl.	Tourist	1 Cl.	Tourist	1 Cl.	Tourist
5,446	10,667	18,744	17,512	24,190	28,179

Therefore, in 1957 Panagra could conservatively expect to carry 24,190 first class passengers and 28,179 tourist class passengers.

With 58 seats northbound and southbound on the DC-7B first class flights and a daily frequency each way, the first class passenger load factor is estimated at 57.8%.

With 70 seats northbound and southbound on the DC-6B tourist class flights and a daily frequency each way, the tourist class passenger load factor is estimated at 55.8%.

The result is an overall passenger load factor of 56.7%. From past experience this estimate would appear conservative.

[fol. 1608] —34—

G. Estimate of Revenues for Future Year

Based on the above passenger traffic forecasts, it is estimated that Panagra's Balboa-Miami passenger revenues for 1957 will be $4,442,000. Compensatory U. S. mail pay, foreign mail pay, freight, and excess baggage revenues are estimated to add an additional $1,014,000, resulting in total operating revenues of $5,456,000 for the sector. The profit forecast indicates that there will be no subsidy need for operation of the sector.

(1) Passenger Revenues

Balboa-Miami one-way passenger fares are as follows:

First Class	$110.00
Tourist Class	94.00
Excursion Class	62.50
(Saleable in Panama only)	

Reducing the one-way fares 15% to cover half fares, round trip discounts, and reduced fares results in the following ticket yields:

First Class	$ 93.50
Tourist Class	79.90
Excursion Class	53.13

The number of Balboa-Miami passengers is estimated for 1957 in Section F above as follows:

First Class	24,190
Tourist Class	28,179

Of the 28,179 tourist passengers, 10,667 are local tourist passengers. If 50% of them are northbound, or 5,334, —35— [fol. 1609] and half of this number take advantage of the special excursion rate provided by IATA carriers for northbound passengers at Balboa only, it is estimated that 2,667 passengers will fly north at the reduced rate. In all 8,000 tourist class local passengers will pay the regular tourist fare.

Estimated passenger revenues for the Miami-Balboa segment for 1957 are therefore:

24,190 × $93.50	=	$2,261,765
25,512 × $79.90	=	$2,038,409
2,667 × $53.13	=	$ 141,698
Total Passenger Revenue	=	$4,441,872

(2) U. S. Mail Pay

Since Pan American L.A.D. operated no DC-6s of its own in 1955, their experience for DC-6 operation as re-

ported to the C.A.B. reflected their operation of Panagra's DC-6s over the through flight sector, Miami-Balboa.

Dividing the ton miles of U. S. mail reported carried by Pan American DC-6s for the first nine months of 1955 by the DC-6 revenue plane miles reported flown results in the average mail tonnage carried per mile over the Miami-Balboa sector. The result was 0.3505 tons of mail carried per mile flown.

The estimated annual scheduled mileage for Panagra DC-6Bs and DC-7Bs over the through flight sector is 1,666,758. Estimated mail ton miles for the Miami-Balboa segment in 1955 were therefore:

1,666,758 × 0.3505 tons per mile = 584,199 MTM.

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[fol. 1610] U. S. Mail ton miles for the Panagra system are expected to increase at an average annual rate of 4% beginning in 1956, compared with a 3% average annual increase between 1951 and 1955. Increasing the estimated 1955 mail ton miles of the Balboa-Miami sector at the 4% rate results in an estimated 631,038 MTMs for 1957.

Having assumed above that PAA will take one-third of the local passengers owing to increased competition, or roughly 15% of the total through flight traffic, it is therefore reasonable to assume that 15% of all potential traffic, including mail, moving over the through flight sector would be diverted to PAA.

To adjust for this diversion, the 631,038 estimated mail ton miles in 1957 were reduced by 15% to 536,382.

A final mail order received by PAA shows that the U. S. mail rate for the Miami-Balboa segment is 55.10 cents per mail ton mile.

Hence the estimated U.S. mail revenue for the through flight sector during 1957 is:

536,382 MTM × 55.10 cents = $295,546.

(3) Foreign Mail Pay

Using the same approach as above (working from Pan American's experience operating DC-6s for the first nine months of 1955), a weighted average tonnage of foreign mail carried per mile was obtained.

Multiplying this result by the estimated annual scheduled mileage to be flown by 6Bs and 7Bs over the through

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[fol. 1611] flight sector, results in the estimated revenue ton mileage of foreign mail for the sector in 1955.

Foreign mail ton miles for the Panagra system increased at an average annual rate of 13.18% between 1951 and 1955. Assuming this same annual rate of increase between 1955 and 1957 for the Balboa-Miami sector gives an estimated 180,320 ton miles of foreign mail in 1957. This result was then reduced by 15% to account for expected diversion by PAA.

It is estimated that by 1957 the yield per ton mile for foreign mail will have declined 25% from Panagra's yield for the year 1955.

The estimated foreign mail revenues for the Balboa-Miami sector in 1957 are therefore:

153,272 ton miles × \$1.05 = \$160,936

(4) Freight Revenues

1,065,971 ton miles of freight estimated to be carried on the through flight sector in 1957 were derived in the same manner as mail from Pan American's reported DC-6 experience for the first nine months of 1955, using a 10% annual growth factor and 15% PAA diversion factor.

To arrive at the approximate rate PAA receives per ton mile for freight over the through flight sector, a random sampling of freight rates for different weights from Miami to Panama and Panama to Miami was made. The results were averaged both by weight and by northbound and southbound rates, and an average sample rate arrived at. That rate worked out to 35.62¢ per ton mile.

[fol. 1612] The freight rates charged by Panagra for the same weights were then taken and a corresponding average rate per ton mile of freight for key points on the Panagra system was arrived at. That rate was 44.44¢ per ton mile. PAA's average sample rate of 35.62¢ was thus found to be 80.15% of Panagra's average sample rate.

Applying the 80.15% against Panagra's 42¢ per ton mile overall system freight yield, it is estimated that PAA receives 34¢ per ton mile for freight over the through flight sector.

Applying the 34¢ against the estimated 1,005,921 ton miles of freight expected in 1957, freight revenues for the through flight sector in 1957 are estimated at:

$$1{,}005{,}921 \times \$.34 = \$342{,}013.$$

(5) Excess Baggage Revenues

During 1955, Panagra received $14,108,700 in passenger revenues and $683,000 in excess baggage revenues. Excess baggage revenues were therefore 4.84% of passenger revenues.

Based on estimated passenger revenues in 1957 of $4,441,772 for the Miami-Balboa segment, estimated excess baggage revenues for 1957 are therefore:

$$4.84\% \times \$4{,}441{,}772 = \$214{,}982$$

[fol. 1613] —39—

H. Analysis of Expense Estimate for Future Year

Total expenses of an independent Balboa-Miami operation in 1957 are estimated to be $4,394,000.*

(1) Flying Operations

The net recorded costs of DC-6B and DC-7B flying operations for the Panagra system from January through November, 1955 were ascertained. To these were added back all expense credits received from National and Pan American. Fuel and hull insurance costs were then deducted to be treated separately. The rental cost of one plane contained in this account was also deducted.

The itemized flying costs for DC-6Bs and DC-7Bs for the Panagra system developed above were then divided by the applicable hours of flying time to arrive at the present Panagra cost per flying hour.

A separate calculation of the cost for hull insurance was made by taking the number of planes (5 of each class), multiplying that number by the insurable value of each plane, and then multiplying the result by Panagra's present rate for hull insurance. The result was then reduced to a cost per flying hour.

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[fol. 1614] The average consumption of gas per hour was computed for both DC-6Bs and DC-7Bs. The cost per gallon of gas was then estimated by averaging the cost per gallon of gas at Miami and that at Panama. Multiplication then produced the cost of fuel per flying hour.

The total estimated cost per hour for flying operations, as developed above, was then multiplied by the estimated number of flying hours for each type of equipment over the through flight sector in 1957.

* This expense estimate assumes that sales and maintenance expenses will not exceed the level of rates charged by Pan American.

As a result, it was estimated that Flying Operations for the through flight sector in 1957 will cost:

DC-6B	\$161 x 3333 =	\$ 536,613
DC-7B	212 x 2962 =	627,944
Total		\$1,164,557

(2) Direct Maintenance—Flight Equipment

The net recorded costs of Direct Maintenance of Flight Equipment for the Panagra system in 1955 were ascertained for DC-6Bs and DC-7Bs from accounting records. The share of maintenance charges absorbed by Pan American and National were then added back and the gross costs were divided by the gross hours of flying time, including the through flight and interchange sectors, for the DC-6Bs and DC-7Bs to arrive at a per hour cost for direct maintenance.

In 1955 the Aircraft Overhaul Reserve was adjusted, because of favorable experience, by \$2.00 per flying hour for DC-6Bs, \$1.20 of which applied to Direct Maintenance and \$.80 to Ground and Indirect Maintenance. That portion applicable to prior years was added back to the 1955 unit cost.

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[fol. 1615] The hourly costs were then multiplied by the estimated number of hours of flying time over the through flight sector in 1957 for each type of equipment. The cost of Maintenance of Flight Equipment in 1957 for the through flight sector is estimated as follows:

DC-6B	\$ 61 x 3333 =	\$ 203,313
DC-7B	96 x 2962 =	284,752
Total		\$ 487,665

(3) Depreciation—Flight Equipment

The net charges for depreciation of Panagra's DC-6B and DC-7B flight equipment for the last quarter of 1955 were ascertained from accounting records. This period was

used because the DC-7Bs were in operation only during the last quarter of 1955. To the actual charges covering five 7Bs and four 6Bs was added the estimated quarterly depreciation charge for a fifth 6B.

The depreciation charges absorbed by Pan American and National during the last quarter were added back. The charges made by Pan American during the last quarter for obsolescence of Flight Equipment Spare Parts (FESPA) were deducted as these were handled separately. The resulting estimated charge for depreciation was then projected to an annual basis.

The FESPA charges by PAA during the last quarter of 1955 were divided by the number of revenue plane miles flown by Panagra DC-6Bs and DC-7Bs over the Panagra system and the interchange sector (excluding Miami-Balboa). The charge per revenue plane mile was then multiplied by the estimated annual revenue plane miles to

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[fol. 1616] be flown by Panagra including the through flight and interchange sectors. The estimated FESPA charges for each type of equipment were then added to the 1957 estimated depreciation charges developed above.

The annual estimated charge for depreciation was then allocated to the interchange sector, through flight sector and present system on the basis of the revenue plane miles to be flown over each sector. The resulting Depreciation of Flight Equipment charges allocable to the through flight sector were thus forecast at $522,000 in 1957.

(4) Ground Operations

Six elements were considered in estimating Ground Operating expense for independent operation of the through flight sector in 1957: namely, additional charges at Tocumen, additional charges at Miami, in-transit services presently shared by Pan American, landing fees, communication fees in the Caribbean, and overhead charges presently paid by Pan American but non-recoverable if Panagra were to operate the through flight sector.

To arrive at the additional charges for use of the Tocumen airport, the 1955 pool of expenses was analyzed, broken down by expense classification, and recomputed on the basis that Panagra were operating the through flight sector. This totaled $82,000. Additional landing fees at Tocumen were estimated at another $26,000.

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[fol. 1617] To arrive at the additional cost of ground operations at Miami, the annual cost of renting counter and cargo space was estimated at $10,000. A staff of 18 counter and cargo personnel was provided for at an average annual salary of $4,000. The estimated additional cost for ground operations at Miami is therefore $82,000.

Expense of overnight in-transit services performed by Pan American at Miami are now absorbed by Pan American to the extent of an estimated $91,000 per year with any excess borne by the Panagra system. If Panagra were to operate the through flight sector in 1957, it would have to carry the entire estimated in-transit service charge of $422,000, but the additional cost allocable to Balboa-Miami would be only $91,000.

Landing fees for DC-6Bs and DC-7Bs were ascertained at Miami and multiplied by the number of DC-6B and DC-7B landings expected in 1957. The result was an estimated $25,000.

From information received at Miami, the charges for communications in the Caribbean were estimated at $100 per round trip, or $73,000 per year. The cost of replacing the present communications system of PAA, presently used by Panagra, with a private Panagra teletype system was estimated and one-fifth of the cost allocated to the Balboa-Miami sector. The allocated amount was $28,000.

The 1955 overhead charges of the chief pilot's office at Lima and Miami, the communications superintendent at Lima, etc., which are now partly absorbed by Pan American, were reduced to a per revenue mile cost and multiplied by the estimated annual number of revenue miles to be flown over the through flight sector. The result was $51,000 of overhead charges which would be non-recoverable in 1957 if Panagra operated the through flight sector.

[fol. 1618] Ground Operations Expense during 1957 for the through flight sector was therefore estimated at:

Use of Tocumen Airport	$ 82,000
Landing Fees at Tocumen	26,000
Cost of Miami facilities	82,000
Overnight In-Transit Service	91,000
Landing Fees at Miami	25,000
Communications in Caribbean	73,000
Allocable cost of private teletype system	28,000
Pan American Non-Recoverable Overhead Charges	51,000
Total	$458,000

(5) Ground and Indirect Maintenance

The charges by Pan American to Panagra for Ground and Indirect Maintenance of DC-6Bs and DC-7Bs during 1955 were divided by the total number of hours flown by each in 1955 to arrive at a per hour cost.

In addition, the charges made in 1955 by Pan American to Panagra representing a return on Pan American's investment in maintenance facilities were added to produce a cost per flying hour which included a return on Pan American's investment in maintenance facilities properly allocable to the through flight sector.

That portion of the adjustment for DC-6Bs in the Aircraft Overhaul Reserve applicable to the Ground and Indirect Maintenance account was treated in a corresponding manner to that described in Section (2) above.

[fol. 1619] The Ground and Indirect Maintenance costs per hour for DC-6Bs and DC-7Bs were then multiplied by the estimated flying hours for each type of equipment over the through flight sector in 1957 as follows:

DC-6B	$41 x 3333 =	$136,653
DC-7B	$69 x 2962 =	204,378
		$341,031

(6) Passenger Service

The cost of Passenger Service for the Balboa-Miami sector during 1957 was estimated at 8% of passenger revenue for the Balboa-Miami sector, the same percentage relationship experienced by the Panagra system in 1955, or $355,342.

(7) Traffic and Sales

Traffic and Sales expense was 13.39% of non-mail revenues (passenger, freight, and excess baggage) for the Panagra system in 1955.

In 1957 an estimated 13% of total non-mail revenues will be spent for Traffic and Sales or $649,840.*

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[fol. 1620] The estimated traffic and sales expense, together with the advertising and publicity expense analyzed next, constitute 18.00% of non-mail revenues for the sector. This is believed to be a fair and reasonable allocation.

(8) Advertising and Publicity

Advertising and publicity expense was 7.53% of non-mail revenues (passenger, freight, and excess baggage) for the Panagra system in 1955. However, 5% of total non-mail revenue estimated to be produced by the sector in 1957 is deemed appropriate for this new sector because Panagra's name is already well known in this market. On this basis, advertising and publicity expense was estimated at $249,938.

(9) General and Administrative

Three factors were considered in estimating the general and administrative cost for independent operation of the through flight sector: charges now paid by Pan American which would be non-recoverable if Panagra operated the through flights, additional general and administrative charges for use of the Tocumen airport, and increased employee benefit costs and payroll taxes for employees at Miami.

* See footnote page 39.

Charges not recoverable from PAA were broken down into employee insurance, payroll taxes, and New York office

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[fol. 1621] charges. The costs for employee insurance and payroll taxes reflect the latest proposed rates and were increased to reflect the pilot contract put into effect July 1, 1955. The three non-recoverable costs were divided by revenue plane miles flown by Panagra in 1955 to get a cost for each item per revenue plane mile. The results were multiplied by the estimated annual revenue plane miles to be flown over the Miami-Balboa sector and amounted to $125,000.

Panagra's charges for its increased share of general and administrative costs at Tocumen owing to independent operation of the through flight sector were then computed by analyzing the latest monthly pool of expenses shared by all carriers using Tocumen and estimated at $15,000.

Increased employee benefit costs and payroll taxes for additional Miami employees are estimated at 11.91% of $72,000, or $9,000.

The total added General and Administrative cost for operation of the Balboa-Miami sector in 1957 is thus $149,-000. It is believed that an independent Balboa-Miami operation would require no additional general and administrative expense, because key personnel of Panagra now spend considerable time in connection with operations under the Through Flight Agreement.

(10) Depreciation—Ground Equipment

Four elements were considered in estimating the charges for depreciation of ground equipment needed for an independent operation of the through flight sector in 1957:

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[fol. 1622] depreciation of maintenance facilities, depreciation of counter facilities at Miami, depreciation of ramp service facilities, and charges now paid by Pan American which would be non-recoverable if Panagra operates the through flight sector.

Depreciation of maintenance facilities at both Miami and Balboa is included in the Pan American charges to Panagra for Ground and Indirect Maintenance. Consequently, the estimate of costs for ground and indirect maintenance (see Section 5 above) adequately covers this item of cost.

If Panagra were to operate the through flight sector independently, a completely furnished counter and cargo space at Miami would be necessary. A capital expenditure of $18,000 for such space, depreciated over three years, results in an estimated depreciation charge of $6,000 per year.

An estimated outlay for ramp service facilities (fork lift truck, starting unit, cargo carts, passenger ladder, etc.) of $18,400 would be required. Depreciating these facilities over three years would result in an annual depreciation charge of $6,100.

Depreciation of Ground Equipment costs charged to Pan American in 1955, but non-recoverable if Panagra operates the through flight sector, were divided by the revenue plane miles flown by Panagra's DC-6Bs and DC-7Bs over the through flight sector in 1955. The result was multiplied by the estimated annual revenue plane miles for the through flight sector.

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In summary, the estimated charge for depreciation of ground equipment in 1957, assuming independent operation by Panagra, is as follows:

Miami Booth Facilities	$ 6,000
Ramp Service Facilities	6,100
PAA Non-Recoverable Charges	4,000
Total	$16,100

J. Estimate of Return on Investment for Future Year under Through Flight Agreement

The return on Panagra's investment in flight equipment and working capital devoted to the through flight sector was estimated for 1957 at \$396,000. This was computed as follows:

	DC-6B (000)	DC-7B (000)	Total (000)
Original Cost of Panagra Fleet	\$7,713	\$12,151	\$19,864
Reserve for Depreciation (Estimated)			
December 31, 1956	\$3,777	\$ 2,072	\$ 5,849
December 31, 1957	4,459	3,577	8,036
Net Book Value (Estimated)			
December 31, 1956	\$3,936	\$10,079	\$14,015
December 31, 1957	3,254	8,574	11,828
Less 50% Built-In Overhaul Residual Value	\$ 75	\$ 75	\$ 150
Total Investment Base in Flight Equipment (Estimated)			
December 31, 1956	\$3,861	\$10,004	\$13,865
December 31, 1957	3,179	8,499	11,678
Average for Year 1957	\$3,520	\$ 9,252	\$12,772
Return on Investment in Flight Equipment @ 14.5161% (9% plus 38% Income Taxes)	\$ 511	\$ 1,343	\$ 1,854

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The above represents a return on the entire Panagra investment in DC-6Bs and DC-7Bs at the C.A.B. allowable rate of 9%. Pan American is required under the Through Flight Agreement as presently in effect to pay the 9% rate of return on that part of the investment allocable to Balboa-Miami. To allocate Pan American's share, the total revenue plane miles to be flown by Panagra's DC-6Bs and

DC-7Bs in 1957, including the through flight and interchange portions, were computed. This mileage is broken down in percentages as follows:

	DC-6B	DC-7B
National—Miami/New York	22.59%	18.94%
Pan American—Balboa/Miami	23.96%	19.34%
Panagra—South-of-Balboa	53.45%	61.72%
	100.00%	100.00%

The difference in the percentages between types of equipment is a result of the varied schedules of DC-6Bs and DC-7Bs.

Applying the Balboa-Miami allocation of revenue plane miles to be flown in 1957 against the total return on investment figures results in the following amounts:

(thousands of dollars)

	DC-6B	DC-7B	Total
Return on Flight Equipment	$122	$260	$382

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To this must be added the return payable by Pan American on Panagra's investment in working capital devoted to the Through Flight operation. This is computed on the following basis:

	DC-6B	DC-7B	Total
Revenue plane miles to be flown—Balboa-Miami in 1957	833,379	833,379	
Mileage rate	0.52¢	1.15¢	
Return on working capital (dollar amount in thousands)	$4	$10	$14

The total estimated return payable by Pan American under the Through Flight Agreement in 1957 is thus $382,000 plus $14,000, or $396,000.

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PART TWO

MIAMI-NEW YORK

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PART TWO

MIAMI-WASHINGTON/NEW YORK

A. *Nature of Application*

This application is supplemental to that for Balboa-Miami. It would extend Panagra beyond Miami directly into Washington and New York on a restricted basis. That is, Panagra would not operate domestic turnaround flights but would have local traffic rights at Miami, Washington and New York on its planes serving South America.

The air route distance between Miami and New York is 1100 miles nonstop and 1137 miles via Washington, representing a 17% increase in the unduplicated route mileage of the present Panagra system plus the Balboa-Miami sector.

It is contemplated that initially, on an independent operation, three first class flights per week in each direction would stop at Washington and the other four first class and all tourist flights would operate Miami-New York nonstop. Additional Washington stops would be implemented as soon as the international traffic would warrant. It is believed that authority to serve Washington as well as New York is essential to a flexible, balanced operation for Panagra and to adequate service for United States-South America traffic.

Direct entry into Washington and New York, of course, would eliminate the need for an interchange with a domestic carrier and would supersede the National-Pan American-Panagra Interchange Agreement.

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B. *Reasons for Application*

As will be more fully discussed below, Panagra should be extended beyond Miami into Washington and New York for the following reasons:

1. The National-Pan American-Panagra Interchange Agreement has proved to be deficient. It has not provided

United States-South America passengers and cargo with the sort of service necessary to attract, or even to retain, international traffic. Moreover, it has proven to be a heavy financial drain on Panagra. The domestic operator has subordinated and disregarded international traffic requirements and preferences in favor of its own domestic operation.

2. The extension would be profitable to Panagra. The sector itself would produce an annual operating profit of $365,000, and in addition, the present Panagra system profit and loss statement would no longer reflect certain cost penalties resulting from the interchange operation.

3. The extension would require no subsidy, and, further, would serve to strengthen Panagra's entire system to the point of ultimate self-sufficiency. The profit from this sector would help to offset any future reduction or elimination of subsidy from the government.

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4. Panagra needs to receive the full revenues from the United States-South America passengers it generates. The new route would help to reduce Panagra's unit operating costs and provide a larger traffic base over which to spread its overhead expense.

5. The bulk of United States-South America traffic carried by Panagra originates in or is destined to the northeastern United States. Panagra should be permitted to serve this primary traffic market so inextricably related to its existing South American market.

6. Two or three carrier operation of the same flight will not and cannot serve efficiently the traffic volume that will develop in the near future. The projected growth in long haul United States-South America air traffic, which will be substantial, should not be stultified by a domestic carrier having little interest in its development. Nor should the inevitable growth be a windfall to a carrier having little to do with its generation. Within a foreseeable period of time traffic volume will outgrow the interchange type of service.

7. Extension into New York will cause little diversion of domestic passengers from domestic carriers, and in the international field will simply equalize Panagra's competitive position vis-a-vis other United States flag carriers and foreign airlines.

8. The coming DC-8 operation will permit, and indeed will call for, long haul nonstop flights between New York and South America. Such an operation will have no relation to National's regional domestic operation between

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[fol. 1630] New York and Miami. Indeed, Panagra may well want to overfly Miami with jets on certain of its flights. The sharing of profits from jet service would hurt Panagra in this future era of high cost turbine operation. The necessary route adjustment proposed here cannot await delivery of jet equipment to Panagra because of the vast amount of preparatory work and planning which must be done.

C. *Inadequacy of the National Interchange*

By order dated August 10, 1955 (E-9481) in Docket No. 4882, the Civil Aeronautics Board approved the establishment of a National-Pan American-Panagra interchange operation. This interchange permits Panagra planes from and to South America to operate over National's route between Miami and New York. Interchange service began on September 14, 1955, and has now been in operation for more than ten full months.

The interchange flights have been highly disappointing to passengers and shippers in terms of service and scheduling, and to Panagra in terms of cost. Intense efforts have been made by Panagra to solve these difficulties but the efforts have been in large part unsuccessful. No means of curing the situation appear possible under the existing interchange arrangements. The inadequacies of the interchange operation will be documented below under three main categories: passenger and cargo service, plane scheduling and operating costs.

The basic difficulty stems from attempting to mesh the operations of a long haul international airline in competition against foreign airlines, with the high volume and

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[fol. 1631] relatively short haul operations of a regional domestic carrier. It is now evident that the attempt to combine these two different types of operations cannot be successful. The interchange has resulted in costly operational rigidities and conflicts for each partner in its basic transportation objective. National, because of its competitive position in the mass Miami-New York market, subordinates the international flights to its own relatively short haul requirements. This may be quite justifiable from National's own limited viewpoint. However, the Miami-New York sector comprises only one-fifth of the distance of the entire international flight from New York to Buenos Aires, and consequently, from Panagra's and the public's overall viewpoint, the primary emphasis over the Miami-New York sector should be placed upon the convenience and expectations of the international passengers and shippers. This, indeed, seemed to be the original purpose of the Interchange Agreement as approved by the Civil Aeronautics Board.

To provide an international service geared to international traffic needs and to provide the basis for generating additional international traffic, it is apparent that international service and scheduling requirements should be given priority. That this has not been the case under the existing interchange operation is indicated below:

1. *Passenger and Cargo Service.*

National does not provide interchange flights with the standard of flight service to which international passengers are accustomed. For example, National does not serve meals by courses, it does not offer free drinks or wine, and

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[fol. 1632] it does not provide a third cabin attendant. These services have been standard fare on Panagra first class flights and on virtually all other first class international flights throughout the world. The excellence of its meals and the manner in which they are served have been

major items in Panagra's sales appeal and reputation. However, the food service of National is of significantly lesser quality than that of Panagra. Passengers uniformly report, or complain, that the general level of all enroute service is substantially lower over the domestic interchange sector than over the Caribbean and South American portions of the flights.

There is a major difference in the treatment accorded passengers by National and Panagra: Panagra provides a great deal more individual attention to its passengers. This is a natural result of the fact that Panagra's key sales object is the international long haul passenger, whereas National's key sales object is the domestic medium or short haul passenger. Panagra's passengers, who pay fares at international levels and travel between several countries on a trip lasting ten to twenty hours, expect and need more individual attention than a New York-Miami passenger, who pays less per mile and is in the air less than four hours.

By contrast, a New York-Miami local passenger pays $44 to $77 for an 1,100 mile trip; a New York-Buenos Aires traveler pays $456 to $549 to travel 6,000 miles; a Miami-Lima traveler pays $262 to $319 to travel 2,600 miles. These are key passengers whom Panagra must now serve and for whom Panagra must *now* compete.

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The difference in passenger treatment is not only a result of what the market requires but also what the market yields, both in the volume of traffic and in the net revenue per passenger. National operates in a mass market; Panagra is in what is by domestic standards a relatively sparse market. Panagra's routes, even with the most optimistic traffic projections, could not produce anything approaching the traffic density of National's operation. As a result, each single passenger is vastly more important to Panagra than to National.

Statistically, the average Panagra system passenger has a trip length on the *portion* of his journey *south of Balboa* of approximately 1,200 miles producing an average revenue yield to Panagra of $108.65. National's average system

passenger trip length complete is only 700 miles, producing an average revenue yield of only $36.76.

With respect to cargo, National has not provided the concentrated effort and expeditious handling necessary for dealing with international cargo traffic. Panagra generates substantial amounts of cargo into and out of New York, but its developmental and promotional efforts in this field are being diffused by National's relative apathy towards cargo movement (even in its own domestic operations) and by the inevitable lack of complete coordination that results from three separate companies handling a single shipment. Indeed, for the better part of a month in the spring of 1956 National arbitrarily stopped all international cargo shipments on the interchange flights. This stoppage together with previous deficiencies in National's movement

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[fol. 1634] of international cargo has caused grave problems for Panagra in its relationship with both shippers and consignees.

2. *Plane Scheduling.*

a. *Washington Stop.*

National has been unwilling to agree to schedules based on international traffic flows. For example, at National's insistence, the DC-7B interchange flights presently stop daily at Washington. However, there has been no international traffic justification for daily stops which add more than sixty minutes in elapsed time between New York and Miami. This unnecessary delay serves to neutralize the competitive advantage of the DC-7B equipment in Panagra's primary New York-Buenos Aires market.

National has refused to consider Panagra's first preference for splitting first class schedules (some nonstop and some Washington-stop flights) even though from an international traffic viewpoint it is often desirable not to provide service to identical points on every day of the week. National has also refused to act on Panagra's second preference to eliminate the Washington stop entirely, unless Panagra would agree to a departure time from New York

that would be undesirable to international passengers and would result in undesirable and competitively disadvantageous arrival and departure times at points in South America.

National's stated reasons for opposing Panagra on the Washington service issue are that Washington provides a large number of domestic Miami passengers on this flight

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[fol. 1635] and that Panagra has not produced enough international passengers, relative to National's volume domestic operation, to warrant National's consideration of an alternate schedule.

b. *On Time Performance.*

National has been unwilling to agree to realistic scheduling of the interchange flights and is jeopardizing Panagra's reputation by failing to operate the Panagra aircraft on time. In the six months, November 1955 to April 1956 inclusive, an average of 77% of Panagra's flights from South America, after traveling more than 4,900 miles, reached Miami on time. However, only 37% of these flights arrived in New York, only 1,100 miles beyond, at the scheduled time of arrival. National's southbound performance has been even worse, with only 16% of the interchange flights arriving in Miami on time. Southbound delays over the interchange sector, of course, throw back Panagra's performance record along the entire line to Buenos Aires. Following is the monthly performance record:

Percentage Daily Interchange Flights on Time
(within 15 minutes of scheduled arrival time)

	Panagra Performance		National Performance			
	N B		N B		S B	
	Ar	MIA	Ar	IDL	Ar	MIA
	FC	TC	FC	TC	FC	TC
November 1955	73%	82%	70%	82%	11%	17%
December	61	77	32	36	21	18
January 1956	77	90	36	46	25	21
February	69	89	26	54	11	0
March	68	84	7	36	20	10
April (2 weeks)	75	83	8	8	39	8

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National attempts to rationalize its unrealistic scheduling on the basis of competitive scheduling with Eastern in the domestic Miami-New York market. This again is simply one more aspect of the primary domestic emphasis which National places upon the interchange flights.

c. *Cancellations and Consolidations.*

National has unilaterally cancelled trips at Miami on those occasions when delays occurred on northbound flights over Panagra's routes, thus eliminating through service on certain flights. When National cancels the interchange flight, it usually operates the interchange equipment then available at Miami as a domestic flight, thus obliging the passengers on the delayed plane from the south to use connecting domestic flights. Panagra has been forced to accede to this practice in order to have a plane in New York to meet the southbound interchange schedule out of New York.

In some cases National has used Panagra planes at New York to fly an earlier domestic southbound schedule, thus requiring international passengers out of New York with interchange reservations to change planes at Miami. There is some evidence that this practice has resulted in a loss of passengers to Panagra over its international sectors.

There have been repeated occasions when National has consolidated domestic flights into the interchange flights, in some cases combining a tourist flight with the interchange first class flight. This latter type of consolidation, especially, results in inconvenience and dissatisfaction to international passengers aboard the aircraft. There have —62—
[fol. 1637] also been occasions when National has flag-stopped the interchange flight at a domestic point other than Washington between Miami and New York in order to serve its domestic passengers.

Some of these practices, of course, are reasonable actions for a regional domestic carrier to take and should be ex-

pected in the usual interchange operation. However, they serve to defeat the international through service which the C.A.B. intended that the National-Pan American-Panagra Interchange Agreement establish. It is no rebuttal to Panagra's objections listed here for National to state that it does the same thing with interchange flights it operates under agreement with other domestic carriers. The National-Pan American-Panagra Interchange Agreement is the only interchange in existence between a long haul international carrier and a regional domestic carrier (other than the Eastern-Braniff Interchange, which operates only six frequencies per week compared to Panagra's fourteen). These operational practices affect acutely the character and competitive quality of Panagra's international service.

Cataloging them here is not intended to reflect unfavorably upon National's admittedly highly efficient operation, as geared to its particular regional route structure. They are recorded simply to evidence the incompatibility of National's and Panagra's operations which are adapted to entirely different markets as demonstrated by almost a full year's experience.

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d. *Scheduling Inflexibility.*

In general effect, the interchange is an inflexible element in Panagra's schedule planning. Panagra's long haul route presents severe problems of equipment utilization resulting from long layover times at route terminals. These long layovers are made necessary in order to provide saleable arrival and departure times along the line and to permit daylight operation (the only possible at the present time) at certain of the airfields in South America. In order to experiment in an attempt to reduce these layover times and increase its average daily aircraft utilization, Panagra needs full scheduling freedom. Since the New York-Buenos Aires routing is the heart of Panagra's service pattern, the fixed interchange requirements limit the ability of Panagra's management to deal with a signal problem.

3. *Operating Costs.*

a. *Extra Overhead Expenses.*

The constant negotiation with National over interchange policies and practices has absorbed an inordinate amount of Panagra management's time and concentration. Panagra's top executives have had to travel to Miami several times to confer with National over relatively minor matters.

b. *Operating Expense Differentials.*

It must be understood that at the time the Interchange Agreement was negotiated between Panagra and National in June of 1955, Panagra was in a very weak bargaining position. The Braniff-Eastern interchange had been ap-

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[fol. 1639] proved by the C.A.B. and was to go into operation in the near future. The C.A.B. directed Panagra, Pan American and National to reach agreement on their own interchange. Only Panagra could be hurt by a failure to reach an agreement on an interchange operation. As a result, National held all the cards and Panagra was forced to accede to several very burdensome financial provisions.

Panagra suffers an annual loss under the Interchange Agreement of $358,000 based on a full allocation of expenses to the interchange operation. The difference between the actual expenses incurred by Panagra's planes operating over the interchange sector and the lower amounts actually reimbursed by National must be absorbed by the Panagra system.

The principal reasons for the cost penalty are twofold: First, under the terms of the Interchange Agreement Panagra is obliged to accept reimbursement from National on the basis of its own domestic cost levels which are naturally lower than the international cost levels experienced by Panagra. Second, and more costly to Panagra, National reimburses on a cost per available seat mile unit basis using its own larger domestic aircraft seat capacity. Because National provides passenger journeys of not more than four hours at most, compared to passenger journeys

in excess of twenty hours' elapsed time by Panagra, National is able to operate aircraft with reduced seating space available for each passenger and still stay within the bounds of passenger acceptance. Consequently, National's DC-6Bs and DC-7s have more seats (86 and 69 respectively) than the similar equipment owned by Panagra (72 and 63

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[fol. 1640] including lounge seats respectively). This second factor represents a cost penalty of roughly 13% at the present time.

The expense differentials fall into four separate categories:

(1) *Flying Operations*

The flying operations expense not fully reimbursed by National is the cost of fuel. The available seat mile fuel cost difference between National and Panagra is .0724 cents for DC-6Bs and .0562 cents for DC-7Bs. Based on April 10, 1956 seating capacities and present schedules, Panagra's DC-6Bs will provide 56,609,000 available seat miles annually over the interchange sector. Panagra's DC-7Bs will provide 51,419,000 available seat miles. As a result, the estimated annual cost of fuel loss to Panagra, directly attributable to the terms of the Interchange Agreement is as follows:

DC-6B	56,609,000	x .0724¢	=	$41,000
DC-7B	51,419,000	x .0562¢	=	29,000
				$70,000

(2) *Direct and Indirect Maintenance*

Panagra's 1955 maintenance cost per available seat mile, excluding certain system overhead charges that cannot be considered out-of-pocket expenses allocable to the interchange operation, was .5035¢ for DC-6Bs and .8985¢ for DC-7Bs. However, National has reimbursed at its own lower maintenance rate of only .4269¢ for DC-6Bs and .8304¢ for DC-7Bs. Applying the unit cost differential to the estimated available seat miles to be flown over the

interchange sector results in an annual loss to Panagra of \$43,000 for its DC-6Bs and \$35,000 for its DC-7Bs.

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[fol. 1641] The total maintenance differential attributable to the Interchange Agreement is thus estimated at \$78,000 per year.

(3) *Depreciation of Flight Equipment*

Panagra's allocable depreciation, on a revenue plane mile basis, of the five DC-7Bs and five DC-6Bs (assuming the fifth DC-6B is owned and not leased), including spare parts and engines used in the interchange operation amounts to \$506,000 per year. Using Panagra's available seat miles to be operated over the interchange sector in the future year, this reduces to .3409¢ per ASM for DC-6Bs and .6087¢ per ASM for DC-7Bs. National, however, reimburses Panagra for flight depreciation at its own rate of only .2170¢ per ASM for DC-6Bs and .4523¢ per ASM for DC-7Bs.

National's depreciation cost per ASM is lower than Panagra's as a result of several factors: First, National's aircraft capital costs are lower than Panagra's, particularly with respect to the DC-7 type aircraft since Panagra's are the later and more expensive DC-7Bs as compared with National's DC-7s. Aircraft operated by long haul international airlines invariably include additional cost over aircraft operated by medium haul domestic carriers. Secondly, National has higher aircraft utilization than Panagra, made possible by National's shorter routes and more frequencies, allowing for faster turnarounds. On an annual basis, this means that National obtains more mileage per plane than Panagra can obtain within the same period of time. Third, for the reasons described previously National's planes have more seats than Panagra's and therefore operate more seat miles than Panagra on the same plane mileage.

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On an annual basis, the depreciation differential amounts to \$70,000 on the DC-6Bs and \$80,000 on the DC-7Bs, or an annual loss to Panagra of \$150,000.

(4) *Passenger Service*

The passenger service expense not fully reimbursed by National is in the cost of passenger service equipment and supplies furnished by Panagra. The equipment and supplies provided by Panagra and used by National include items such as silverware, dishes, blankets, head rests and seat covers, linen and pantry equipment. (They do not include food and liquor which are supplied over the interchange sector by National's own commissary.) National reimburses Panagra on the basis of the quantity and quality of similar items supplied on its domestic flights, which are of lesser quantity and quality than furnished on the interchange aircraft by Panagra. As a result of this and the greater number of available seat miles over which to spread the allocable costs, differentials amount to an estimated annual $60,000 loss to Panagra.

(5) *Summary*

Based on present schedules, the inequities of the National Interchange Agreement penalize Panagra largely as a result of having to accept reimbursement on a seat mile basis related to National's (a domestic carrier) cost level rather than Panagra's (an international carrier) to the extent of $358,000 broken down as follows:

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Flying Operations	$ 70,000
Maintenance—Direct and Indirect	78,000
Depreciation—Flight Equipment	150,000
Passenger Service	60,000
	$358,000

The large annual expense penalty would be eliminated if the Interchange Agreement were terminated and Panagra were to operate into New York on its own certificate since the revenues from the sector would accrue to Panagra.

D. *Estimated Financial Effect of Termination of Interchange Agreement.*

Partially in offset to a saving of the cost items just discussed, there are certain other financial implications of replacing the Interchange Agreement with an independent Panagra operation. These will be treated here.

1. *Capital Gains Tax.*

The Interchange Agreement provides that upon its termination for any reason, title to one DC-6B and one DC-7B will pass immediately to National. National must pay $1,300,000 for the 6B and $2,100,000 for the 7B, less any payments it made for depreciation of flight equipment during the term of the Agreement. Because Panagra had depreciated the DC-6B aircraft for a period prior to the interchange, and because National's depreciation payments on both the 6B and 7B aircraft are less than the depreciation taken by Panagra, the sale price to National will be in excess of the depreciated value to Panagra.

For purposes of illustration, if Panagra were to termi-

[fol. 1644] nate the Agreement effective December 31, 1956 (six months' notice required), the resultant taxable capital gain to Panagra is estimated as follows:

	DC-6B	DC-7B
Agreed Upon Value at 9/15/55	$1,300,000	$2,100,000
Estimated Depreciation paid by NAL to 12/31/56	130,000	240,000
Sale Price to NAL at 12/31/56	$1,170,000	$1,860,000
Depreciated Value for Tax Purposes at 12/31/56	787,000	1,700,000
Taxable Capital Gain to PNG	$ 383,000	$ 160,000

The federal income tax at the effective Western Hemisphere rate of 11% (discussed in subsection 5 below) on

the total $543,000 taxable capital gain to Panagra for both aircraft would be $60,000.

2. *Additional Depreciation Charges.*

Panagra, in event of termination of the Agreement, has the option (a) to repurchase these same aircraft from National at the then current market value or (b) to lease for a period not to exceed 18 months, unless otherwise agreed, at a rental to be agreed upon. In the absence of agreement on the repurchase price or rental, the matter is subject to arbitration. There is little doubt that if Panagra were to obtain a New York certificate of its own, the option to repurchase or lease would be exercised in order to acquire immediate use of the planes already in Panagra's fleet configuration. If Panagra elected to repurchase, it would have to pay a premium for the reacquisition of the planes, since their market value in all probability would be in excess of the sale price to National.

[fol. 1645] —70—

Based on today's indicated market value for used DC-6 type aircraft, it is reasonable to assume that a DC-6B might bring something in the neighborhood of $1,800,000 and a DC-7B something in the neighborhood of $2,500,000; the precise amounts are, of course, to a large extent conjectural, particularly in the case of the DC-7B where there have been no known transactions. Moreover, considerations other than the market value might affect the nature of the transaction.

Again for purposes of illustration, assuming $1,800,000 for the DC-6B and $2,500,000 for the DC-7B, the premium would be approximately as follows:

	DC-6B	DC-7B
Estimated Market Value at 12/31/56	$1,800,000	$2,500,000
Sale Price to NAL at 12/31/56	1,170,000	1,860,000
Premium	$ 630,000	$ 640,000

The total premium of $1,270,000 represents the estimated additional cash payment which Panagra would have to make to National in order to reacquire the planes but it is reasonable to anticipate that the transaction might be negotiated on a more favorable basis.

[fol. 1646]

Panagra would presumably have to depreciate the repurchase planes on the basis of a seven year write-off of the full repurchase price less residual value. This would exceed the present annual depreciation being taken on these planes by $111,000:

	DC 6B	DC 7B
Annual Depreciation of Repurchased Aircraft	$214,000	$299,000
Annual Depreciation Presently Taken	152,000	250,000
Differential	$ 62,000	$ 49,000

However, the effect of the increased depreciation charges can be considered as offset in part by the non-recurring net book capital gain realized on the sale of the two aircraft to National. The net book capital gain is computed as follows:

	DC 6B	DC 7B
Sale Price to NAL at 12/31/56	$1,170,000	$1,860,000
Net Depreciated Book Value at 12/31/56	809,650	1,734,500
Book Capital Gain to PNG	$ 360,350	$ 125,500
Capital Gains Tax ($60,000)	42,000	18,000
Net Book Capital Gain	$ 318,350	$ 107,500
Amortization of Net Book Capital Gain over seven years	$ 45,000	$ 15,000

If the amortized net book capital gain were applied against the depreciation differential, the increased annual depreciation charges on the repurchased aircraft become only $51,000:

	DC-6B	DC-7B
Depreciation Differential	$62,000	$49,000
Amortized Capital Gain	45,000	15,000
	$17,000	$34,000

[fol. 1647]

3. *Additional Interest Charges*

Upon termination of the Interchange Agreement Panagra will incur certain additional interest expenses.

Under the Interchange Agreement, National deposited with Panagra an amount corresponding to Panagra's investment in equipment and working capital devoted to the interchange. Panagra issued to National non-interest-bearing notes as evidence of the deposit. These notes have been discounted by National, without recourse, with the banks that are parties to Panagra's Credit Agreement. Under these arrangements, although Panagra is obligor on the principal of the notes, National is responsible for the interest. Terminating the Interchange Agreement would necessitate retirement of the non-interest-bearing Panagra notes issued to National. In all probability arrangements can be made with the banks for the substitution of new Panagra interest-bearing notes of equivalent amount payable to the banks.

Panagra might also require additional borrowings, depending on Panagra's working capital position at the time, to finance the premium required for repurchase of the two aircraft, title to which will pass to National on termination of the Interchange Agreement.

To continue the same illustration, if Panagra were to terminate the Interchange Agreement effective December 31, 1956, it is estimated that additional interest charges

[fol. 1648] would not exceed an estimated $145,000, computed as follows:

Amount of new Panagra notes payable to banks to be substituted for Panagra notes issued to NAL, based on estimated NAL deposit as at December 31, 1956	$3,234,000

Additional borrowings that may be required to cover premium cost in event of repurchase of two aircraft		1,270,000
	Total	$4,504,000
Annual interest charge at 3½% on average amount to be outstanding during 1957		$ 145,000

(It should be borne in mind that Panagra has a net of three surplus DC-6s available for sale, the proceeds from which could be used to provide additional working capital and thereby reduce or eliminate the amount of additional borrowing contemplated above.)

4. *Summary*

The financial effects on an annual basis of terminating the Interchange Agreement and reacquiring the DC-6B and DC-7B would be as follows:

(a) Expense differential owing to interchange operation absorbed by Miami-New York sector P&L		$358,000
(b) Added costs:		
Additional Depreciation Charges (Net of Capital Gains)	$ 51,000	
Additional Interest Charges	145,000	196,000

If Panagra were to operate into New York directly from Miami, there are two additional factors which must be

[fol. 1649] considered in connection with termination of the interchange:

1. Increased federal income taxes systemwide as a result of loss of Western Hemisphere Trade Corporation tax status;

2. Estimated sector operating profit.

These will be discussed below in subsection 5 and Section E respectively.

5. *Loss of Western Hemisphere Trade Corporation Tax Status*

If Panagra were to operate into New York on its own certificate, it would derive more than 5% of its gross income from sources within the United States and hence would lose its preferred tax status as a Western Hemisphere Trade Corporation under the federal Internal Revenue Code. This means that Panagra's entire operating income would be taxed at a 52% rate rather than the effective 38% rate which it presently enjoys. Also, Panagra's capital gains would be taxed at a 25% rate rather than the currently effective 11% rate. To date, the Treasury has accepted Panagra's tax status as a Western Hemisphere Trade Corporation in all tax years audited and finally closed up to and including 1947 through the running of the statute of limitations.

[fol. 1650] —75—

6. *Future System Result on Annual Basis*

In Panagra were certificated into New York and lost its Western Hemisphere status, the overall effect on Panagra's profit and loss statement would be roughly as follows:

1.	Estimated Net Income before Taxes for 1956 from present system operations exclusive of capital gains, federal subsidy, plane rental income and return on investment from Pan American Through Flight Agreement	$ (272,000)
2.	Estimated Sector Net Operating Income for 1957 from certificated Balboa-Miami operation (see Part One above).	1,062,000
3.	Estimated Sector Net Operating Income for 1957 from certificated Miami-New York operation (see Section E below).	365,000

4. Estimated annual expense differential owing to current interchange operation absorbed by Miami-New York sector (see Section C above).	358,000
5. Estimated additional annual expenses owing to termination of Interchange Agreement (see Subsection 4 above).	(196,000)
	$1,317,000
6. Federal income tax at 52%	685,000
7. Estimated System Net Profit for future year based on certificated Balboa-Miami-New York operation and without federal subsidy.	$ 632,000
8. Estimated Net Profit for 1956 from present system operations including federal subsidy ($17,000) and return on investment from Pan American but excluding capital gains and plane rental income and after federal income tax at 38%.	$ 125,000
9. Estimated net improvement in system Net Profit as result of being certificated Balboa-Miami-New York	$ 507,000

NOTE: System Net Profit figures in items 1 and 8 are based on 8 months' actual. A 1956 estimate for the present Panagra system has been used because no 1957 forecast is available. The estimated profit and loss statements for the Balboa-Miami and Miami-New York sectors are on an added cost basis.

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[fol. 1651] If after-tax rental income from the lease of aircraft is included in the net profit figures shown on the preceding page, the expanded system would show a net

profit without subsidy of $1,220,000 (item 7). The present system net profit for 1956, including rental income as well as subsidy payment and return under the Through Flight Agreement, would total $971,000 (item 8). This would result in an estimated net improvement as a result of being certificated Balboa-Miami-New York of $249,000 (item 9), or a 25.6% increase over the present system.

E. *Estimated Sector Operating Profit for Future Year.*

If Panagra were to operate Miami-New York independently, it would schedule three first class flights per week with a Washington stop and four first class flights per week nonstop. There is little doubt that three flights per week would be able to handle adequately the three international passengers per daily flight now generated at Washington. Panagra would continue to schedule all tourist class flights nonstop Miami-New York.

Using these schedules, it is estimated that the profit and loss statement for 1957 for the Miami-New York sector, on an added cost basis, would be as follows:

[fol. 1652] —77—

Panagra Operation of Miami-New York Sector
Profit and Loss Estimate for Future Year
(000)

Operating Revenues	
Passenger	$3,459
Mail Pay—U. S.	115
Freight	469
Excess Baggage	125
Total Operating Revenues	$4,168
Operating Expenses	
Flying Operations	$ 999
Direct Maintenance—Flight Equipment	432
Depreciation—Flight Equipment	506
Total Direct Flying Operations Expense	$1,937

Ground Operations	$ 407
Ground and Indirect Maintenance	302
Passenger Service	393
Traffic & Sales	405
Advertising and Publicity	250
General and Administrative	92
Depreciation—Ground Equipment	17
Total Ground and Indirect Expense	$1,866
Total Operating Expenses	$3,803
Net Operating Income without Federal Subsidy and before Income Taxes	$ 365

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1. *Operating Revenues.*

a. *Passenger*

Presented below is a table breaking down the actual number of passengers carried by National in Panagra interchange flights for the first full six-month period of the interchange operation, October 1, 1955 to March 31, 1956 (Column 1). The table projects these passengers to an annual basis and then to the future year 1957 on the assumptions explained in the paragraphs following the table. From the resultant number of passengers shown, estimated passenger revenues for 1957 were computed.

Estimated Passenger Traffic and Revenues for Independent Operation of Miami-New York Sector During 1957.

	Number of Passengers			Revenues
	(1) Actual Oct.-Mar.	(2) Annual Estimate	(3) 1957 Estimate	(4) 1957 Estimate
First Class				
Miami-N. Y. (Int'l)	4,684	9,368	12,928	$ 867,598
Miami-Wash. (Int'l)	1,144	2,288	2,288	126,732
Tourist Class				
Miami-N. Y. (Int'l)	5,125	10,250	16,323	646,391
Total International	10,953	21,906	31,539	$1,640,721
First Class				
Miami-N. Y. (Dom)	—	—	7,828	$ 525,337
Miami-Wash. (Dom)	8,832	16,058	6,882	381,194
Wash.-N. Y. (Dom)	4,849	8,816	3,778	47,603
Tourist Class				
Miami-N. Y. (Dom)	11,289	20,525	20,525	864,246
Total Domestic (a)	20,121	36,583	35,235	$1,818,380
Total Int'l & Dom (a)	31,074	58,489	66,774	$3,459,101

Weekly Frequencies & Average Load Factors		Fre.	L.F.	Fre.	L.F.	Fre.	L.F.
Miami-N. Y.	FC	—	—	—	—	4	71.4%
Miami-Wash.	FC	7	70.1%	7	66.3%	3	71.8%
Wash.-N. Y.	FC	7	45.6%	7	43.5%	3	41.7%
Miami-N. Y.	TC	7	63.2%	7	59.3%	7	71.0%

(a) Passenger totals exclude Washington-New York passengers.

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[fol. 1654] *The Annual Estimate* (Column 2) for the number of international passengers carried between Miami and New York was derived by doubling the six months' actual figure. Based on Panagra's experience, the six months period October-March is a reasonably good sampling for the entire year and is not distorted to any great extent by seasonal characteristics.

The Annual Estimate for domestic passengers was obtained by increasing the six months' actual figures by 82% to account for the seasonal fluctuation experienced by National. The total revenue passenger miles flown by National during the twelve months ended June 30, 1955, were 182% of those flown between October 1, 1954 and March 31, 1955.

The 1957 Estimate (Column 3) for international passengers was based upon a 20% annual rate of increase in first class traffic and a 30% annual rate of increase in tourist class traffic. The reasons for estimating these rates of increase are set forth in Section F, subsection 2, below.

Since the Annual Estimate included three months of 1956, the full rate of increase was not used for the intermediate year 1956. The manner in which the Annual Estimate was projected to the year 1957 is as follows:

International Passengers	1956 Estimate	1957 Estimate
First Class Miami-New York	15% increase over Annual Estimate	20% increase over 1956 Estimate
First Class Miami-Washington	No increase	No increase
Tourist Class Miami-New York	22½% increase over Annual Estimate	30% increase over 1956 Estimate

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[fol. 1655] In the case of Miami-Washington international passengers, no increase between the Annual Estimate and the 1957 Estimate is projected, because it is conservatively estimated that the three first class flights per week stopping in Washington will handle only the annual traffic presently

carried by the seven first class flights per week stopping in Washington.

The 1957 Estimate for domestic passengers shows a decrease from the Annual Estimate. It is estimated that Panagra would carry 7,828 New York-Miami first class domestic passengers, producing a 71.4% load factor on the four non-stop flights. It is estimated that the three Washington-stop flights will carry three-sevenths of the number of domestic passengers actually carried by National on the seven Washington-stop interchange flights.

No increase is anticipated in the tourist class domestic traffic, but it is expected that Panagra will be able to carry as many domestic tourist passengers as National is presently carrying on interchange flights.

It should be noted that the traffic figures for 1957 result in a yearly average passenger load factor of approximately 70%, a conservative figure for this high density sector.

Estimated 1957 Passenger Revenues (Column 4) are based on the following passenger revenue yields:

First Class	Yield
Miami-New York	$67.11
Miami-Washington	55.39
Washington-New York	12.60
Tourist Class	
Miami-New York (day coach)	$45.45
Miami-New York (night coach)	39.60

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[fol. 1656] The passenger revenue yields were arrived at by reducing the published first class fares by 12½% to account for half fares and round trip discounts. The published tourist class fares were reduced by 10% to account for half fares only because no round trip discount is given for tourist travel.

In arriving at the passenger revenue estimate for the tourist class international passengers, the present practice was followed of charging the international tourist passen-

ger the night coach rate regardless of which type of tourist flight he uses. As to the tourist class domestic passenger revenues, it was assumed that three-sevenths of the total such passengers would travel on day coach flights and four-sevenths would travel on night coach flights.

b. *Mail, Cargo and Excess Baggage*

U. S. Mail Pay was estimated from limited information, supplied by National, covering southbound flights from New York for the first 3½ months of the interchange operation. This information indicated the average tonnage of mail carried per flight by Panagra planes southbound from New York during November and December, 1955. Assuming the same tonnage northbound and southbound, and increasing the tonnage on the three first class flights scheduled to stop at Washington by 20%, the annual mail ton miles for the sector were estimated at 378,630. Using the same per ton mile rate for U. S. Mail received by National in the year ended September 30, 1955, or $.304, the annual U. S. Mail Pay for the sector was estimated at $115,000. This is believed conservative because it does not provide for any increase in present mail movement by air.

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[fol. 1657] *Cargo Revenues* were computed on the basis of carrying an average of 1,500 kilos of cargo per flight southbound from New York and 400 kilos northbound from Miami. It is believed that there is sufficient cargo volume to fill approximately 60% of available cargo space southbound after allowing for a 71% passenger load factor. (Initially, it is not contemplated that cargo service would be provided at Washington.) On this basis the sector would produce an estimated 1,668,000 ton miles of cargo per year. Using the same yield per ton mile for freight and express received by National for the year ended September 30, 1955, or $.281, the annual cargo revenue for the sector is estimated at $469,000.

Excess Baggage Revenues were based upon historical relationships: Panagra's excess baggage revenues in 1955

were 4.84% of passenger revenues; this same percentage was applied to the $1,641,000 passenger revenues from international passengers estimated for 1957. Excess baggage revenues of National Airlines were 2.52% of passenger revenues for the year ending September 30, 1955; this same percentage was applied against the $4,818,000 domestic passenger revenues estimated for 1957. Excess Baggage Revenues were therefore estimated at $125,000.

2. *Operating Expenses.*

a. *Direct.*

Flying Operations expense was computed by multiplying the estimated annual number of flying hours between Miami and New York by the adjusted per hour cost of flying operations to Panagra for DC-6Bs and DC-7Bs. The $161.00 DC-6B and $212.00 DC-7B per hour flying operation costs

[fol. 1658] developed in the Balboa-Miami route application were adjusted by $4.50 per hour for DC-6Bs and $6.56 for DC-7Bs for the lower cost of fuel within the United States.

Maintenance of Flight Equipment expense was computed by multiplying the estimated annual number of flying hours over the Miami-New York sector by the costs per flying hour to Panagra for Maintenance of Flight Equipment of its DC-6Bs ($61.00) and DC-7Bs ($96.00) as developed in the Balboa-Miami route application.

Depreciation of Flight Equipment expense was developed by taking the total charge per year for Depreciation of Flight Equipment, including FESPA on a fleet of five DC-7Bs and five DC-6Bs as developed in the Balboa-Miami route application and allocating a portion to the Miami-New York sector on the basis of the estimated annual revenue plane miles to be flown by Panagra's DC-6Bs and DC-7Bs over that sector.

b. *Ground and Indirect*

Ground Operations expense was estimated as follows:

New York (14 landings per week)

Ramp service fees	$ 88,000
Salaries for 12 counter personnel	54,000
Salaries for 6 cargo personnel	29,000
Landing fees	23,000
Annual rental of counter & cargo space	9,000
Miscellaneous	3,000
	$206,000

Washington (6 landings per week)

Salaries for 3 counter personnel	$ 12,000
Ramp service fees	9,000
Landing fees	3,000
Annual rental of counter space	1,000
Miscellaneous	1,000
	$ 26,000

Miami (14 landings per week)

Ramp service fees	$ 41,000
Landing fees	25,000
Salaries for 2 additional counter personnel	8,000
Miscellaneous	3,000
Annual rental of additional counter space	500
	$ 77,500

Other Ground Operations Expenses

Ground to air communications	$ 47,000
Allocable cost of private teletype system (1/5)	28,000
Salaries for flight dispatch	16,000
Salary for crew scheduling	6,000
	$ 97,000
Total Estimated Ground Operations Expense	$406,500

Ramp service fees at Miami were estimated on the basis of ten man hours per southbound landing at $5.70 per man hour, the present per man hour charge to Panagra by Pan American. At Washington, ramp service fees were estimated at five man hours per northbound and southbound

[fol. 1660] landing at $5.70 per man hour. The ramp service fees at New York were developed from the published schedule of charges for complete turnaround services performed by Flight Dispatch Services, Inc.

Ground and Indirect Maintenance expense was computed by multiplying the estimated annual flying hours over the Miami-New York sector by the cost per flying hour to Panagra for ground and indirect maintenance including return on investment to PAA, of its DC-6Bs ($41.00) and DC-7Bs ($69.00), as developed in the Balboa-Miami route application.

Passenger Service expense for independent operation of the Miami-New York sector was derived from the average between Panagra's unit cost (.71¢ per revenue passenger mile) and the unit cost for all domestic carriers for the year ended September 30, 1955 (.37¢ per revenue passenger mile), or .54¢. The unit cost was multiplied by the approximately 73,000,000 1957 revenue passenger miles estimated for the sector, resulting in a 1957 expense of $393,000.

Traffic and Sales expense was estimated at 10% of total non-mail revenues rather than the 13% estimated in the Balboa-Miami route application because of the lower commission paid on domestic ticket sales (5% rather than 10% paid on international tickets.)

Advertising and Publicity expense was estimated at $250,000, the same as that estimated for the Balboa-Miami sector. This would result in an advertising budget of $500,000 per year to promote the extension of Panagra's own

[fol. 1661] service into New York from Balboa. A budget of this proportion appears ample in view of the fact that Panagra's present budget permits extensive advertising in the United States.

Gene and Administrative expenses were estimated as follows

4 additional accounting department employees	$20,000
Increased legal fees	10,000
Employee benefits for additional employees (9.3% of salaries)	49,000
Payroll taxes for additional employees (2.5% of salaries)	13,000
	$92,000

Depreciation of Ground Equipment expense was computed on the basis of the following estimated capital expenditures:

Washington	
Furnishing counter space	$ 6,000
Motor scooter	400
Passenger ladder	3,600
New York	
Furnishing counter & cargo space	$18,000
Truck for cargo section	3,000
Fork lift truck	4,000
Starting unit	5,000
Cargo pallets	1,800
Cargo carts	900
Passenger ladder	3,600
Motor scooter	400
Station wagon	3,000
	$39,700

Depreciating these capital expenditures over a three year period results in an estimated annual charge for Depreciation of Ground Equipment of $16,567.

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F. *Importance of New York and Washington to Panagra's Operations.*

1. *Present Traffic Flow to and from West Coast of South America.*

New York and Washington are vitally important terminals for Panagra's routes. United States-South America passengers represent more than one-third of Panagra's *present* revenue. Of the 79,790,000 revenue passenger miles flown by Panagra's system in the six months October 1955 through March 1956, 28,095,000, or 35.2%, were flown by revenue passengers originating in or destined to the United States.

New York City is the ultimate destination or originating point for half of these passengers.

In the six months October 1955 through March 1956, the interchange flights carried over the Miami-New York sector, by actual count, approximately 11,000 Latin America passengers. These Panagra passengers produced 24,713,000 revenue passenger miles north of Balboa over the routes of Pan American and National, or 31% of Panagra's total system revenue passenger miles south of Balboa for the same period.

The actual count of passengers carried on Panagra aircraft during the period October 1, 1955-March 31, 1956 is shown below. Also shown is an annual estimate projected on the basis explained above in Section E, subsection 1.

[fol. 1663] —88—

Origination and Destination of Passengers Carried by Panagra Aircraft over Through Flight and Interchange Sectors, October 1, 1955-March 31, 1956.

Balboa-Miami Sector	Actual 6 mos.	Estimated Annual
South America-Washington New York	7,542	15,084
South America-Miami	6,462	12,924
Balboa-Washington New York	3,411	6,822
Total Transiting PAX	17,415	34,830

	Actual 6 mos.	Estimated Annual
Balboa-Miami Sector		
Balboa-Miami Local	7,284	14,568
Sector Total	24,699	49,398
Transiting as % of Sector Total	70.5%	70.5%
Miami-New York Sector		
South America-Washington/New York	7,542	15,084
Balboa-Washington/New York	3,411	6,822
Total International PAX	10,953	21,906
Miami-Washington/New York Domestic	20,121	36,583
Sector Total	31,074	58,489
International as % of Sector Total	35.2%	37.5%

As shown, international through passengers (i.e., those transiting the local sector) presently constitute 70% of the total traffic carried over the Balboa-Miami sector, and 37% of the total traffic carried over the Miami-New York sector. (With respect to the latter sector, it should be noted that international passengers are estimated to comprise 48% of the total Miami-New York passengers for the year 1957 on the basis of an independent Panagra operation).

Of the 49,398 passengers carried in the estimated year between Balboa and Miami, only 21,906, or 44% traveled

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[fol. 1664] on to Washington and New York. It is believed that these 21,906 passengers do not constitute the total number of the Balboa-Miami sector passengers who began or ended their journeys in Washington and New York. A considerable number of the balance of 27,942 who are estimated to enplane or deplane at Miami are believed to have traveled to or from New York and Washington by some other means.

For example, a study of northbound passenger addresses made for a six months' period in 195[illegible] indicated that 71% of Panagra passengers who arrived at Miami from South America (excluding Balboa) were enroute to Washington and New York. Including all passengers who arrived at

Miami on Panagra aircraft (i.e., including those who boarded at Balboa), 68% indicated travel to or via New York and Washington. (See Docket No. 4882, Exhibit No. PGR 4.) It is apparent from these figures that there is still a sizable number of Washington and New York bound passengers who have not to date used the interchange planes north of Miami.

This is borne out by a survey of northbound passengers conducted at Miami over a three week period in May and June of 1956. The survey indicated that 68% of all passengers who arrived at Miami on Panagra aircraft during this period were finally destined to or via Washington and New York, confirming precisely the results of the 1951 study. However, only 55% stayed aboard for through travel to Washington and New York. The 55% shows a substantial increase over the 44% who traveled on to Washington and New York in the six months' period October 1, 1955 through March 31, 1956, giving some evidence that

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[fol. 1665] as the through service becomes better known and understood, passengers who formerly disembarked at Miami will continue on. Nevertheless, at the moment approximately 13% of Panagra's Washington and New York bound passengers stop over at Miami. This would indicate that there will be a continuing increase in the number of international passengers over the Miami-New York sector irrespective of overall traffic growth.

2. *Future International Traffic Growth.*

If Panagra were certificated from South America into Washington and New York, it is estimated that there would be an annual 20% increase in the number of first class passengers carried by Panagra between South America and these two cities, and an annual 30% increase in the number of tourist class passengers.

It is forecast that the steady economic growth of the United States and the areas in South America which Panagra now serves will of itself produce a general increase of 10% per year in the number of United States-South

America passengers carried by Panagra. This minimum expected increase simply reflects Panagra's historical experience. Each of the past four years has shown a weighted average 11% increase over the preceding year in the number of Panagra through passengers between points south of Balboa and Miami. (See Part One, page 30, above.)

In addition to the 10% general increase in both tourist class and first class passengers based on historical traffic

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[fol. 1666] indications, it is forecast that there will be an additional 10% annual increase in first class passengers and an additional 20% annual increase in tourist class passengers as a result of the special factors discussed below.

It is believed that the number and proportion of international passengers presently carried over the Miami-New York sector by Panagra aircraft will increase, without regard to a general increase in the traffic volume or generation of new traffic. In time, the habit of changing planes at Miami should give way to the advantages of one plane through service and more of the New York and Washington passengers will stay on the same plane. Equally important, if Panagra were to operate the sector itself, an international standard of service would be provided for the entire journey into New York that would induce those passengers, who now see little reason not to change planes at Miami, to use the same plane the entire trip.

With respect to first class traffic, another reason to expect an increase over and above the historical 10% growth is the improved and faster service resulting from the elimination of Washington stops on four first class flights per week.

But there are major reasons outside of Panagra's present interchange service on which to expect a faster rate of traffic increase.

There is now developing a new hemispheric emphasis on inter-American travel that will generate new traffic. This emphasis was dramatically evidenced at the recent Costa

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[fol. 1667] Rica conference. Within the next several years

there will be a vastly expended program for advertising South America and Central America as desirable destinations for American tourists. The Latin American governments are taking steps to encourage tourism to their countries and to compete for the more than 500,000 American tourists who annually visit Europe, many of whom are now looking for new areas to visit. In 1955 fewer than 50,000 American tourists visited South America. The concentrated advertising program will have a profound effect on the volume of traffic to Latin America.

A further increase in passenger volume will result from the recent institution of year-round excursion fares by Panagra. These fares are 30% below regular first-class and tourist rates and should generate a substantial amount of new business which would not otherwise be generated by Panagra's existing service. The lower revenue per passenger yielded by the excursion fares would be applicable entirely to the international sectors where the fare structure is higher than the domestic fare levels between Miami, Washington and New York. Consequently, an increase in traffic as a result of the excursion fares would result in an increased number of passengers at the same fare levels used in the estimated sector operating profit shown in Section E above. Systemwide, it is believed the lower fares will be more than offset by the increased traffic volume.

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[fol. 1668] There is yet another factor for estimating the large increase in United States-South America traffic which Panagra could expect to carry: the impact of Panagra's own independent operation into Washington and New York. The identification of Panagra in the mind of the American traveling public would be emphasized by actual entry of Panagra into these principal markets. Direct contact with the United States market would emphasize the availability of daily air service to South America. Panagra airport counters, and the other activities apparent to air travelers that go with operating on its own certificate, would increase public familiarity with Panagra as an *independent* United States flag airline. Also, domestic passengers on Panagra planes would be treated to an international standard of

service and to special South American advertising that would promote their interest in visiting the areas Panagra presently serves.

The developmental and promotional value to air transportation in certificating Panagra into the northeastern United States cannot be overestimated. Such authorization will produce desirable and healthy competitive and public benefits.

Of course, if Panagra is not permitted to expand its routes and service, there is every doubt whether Panagra could expect even to continue its present annual growth rate, let alone improve upon it. Air transportation is an industry which requires growth in all aspects in order simply to keep even with other airlines and to meet the enlarged demands of the traveling public. If these demands are not met, the airline will lose patronage to car-

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[fol. 1669] riers, either domestic or foreign, who are able to meet them.

3. *Little Diversion from Domestic Carriers and No Subsidy Need from Government.*

Although Panagra's application contemplates the use of local traffic rights, there would be no substantial diversion of domestic passengers from the domestic carriers operating between Miami, Washington and New York. Panagra proposes to operate only two daily frequencies, or 4% of the 50 daily frequencies presently operated by the two certificated carriers. These frequencies would not be increased until warranted by *international traffic.*

In the first year of operating roughly 34% of the seating capacity offered by the two frequencies will be occupied by international passengers to and from Latin America. Preference will in all cases be given to these international passengers. Thus, Panagra estimates that it will need to carry only 35,235 domestic passengers to or from Miami in order to make the Washington/New York extension an economical one at the outset. As the volume of international

through traffic builds up, the number of domestic passengers carried by Panagra on its through flights would be decreased. Domestic traffic rights will be essential for economical operation at first but will become less important in time.

There will be no subsidy needed by Panagra to operate into Washington and New York. On the contrary, operation into these domestic points would provide the Panagra

[fol. 1670] system with a natural breadth and strength that would serve ultimately to insure a subsidy-free system.

A New York certificate would provide Panagra with $4.2 million additional revenues from the new sector above Miami. Revenues of $5.5 million would be obtained from the proposed Balboa-Miami sector. The expected revenues for Panagra's present system in 1957, based on historical growth, are $19.2 million. Combined, these would total annual revenues of $28.9 million in 1957. This is an increase of 70% over the $17.0 million operating revenues produced by the present Panagra system south of Balboa in 1955.

The expanded system, linking natural traffic flows, allowing for more efficient utilization of equipment and personnel, and producing revenues in the sizable amounts indicated, should produce an international airline capable of standing on its own feet without government support except in the most unfavorable circumstances.

4. *DC-8 Operations.*

Within four years there will be available 125-passenger turbine propelled air transports to operate between New York and Buenos Aires. They will be capable of flying the 5,500 mile Great Circle distance at speeds of 550 miles per hour with only one stop.

[fol. 1671] When these commercial jet aircraft are placed in service between New York and Buenos Aires, the route will immediately become the most important international route in the Western Hemisphere. By cutting present travel time almost in half, it will bring the largest city in

North America within a half-day's journey of the largest (and about the southernmost) city in South America.

All three United States flag carriers, including Panagra, that now operate between North and South America have such jet equipment on order.

Braniff will receive delivery of Boeing 707s in 1959 and 1960 and could provide service under its present certificate from Houston and Chicago to Rio de Janeiro and Buenos Aires via Bogota. Pan American will receive delivery of DC-8s and 707s in 1959 and 1960 and will be able to operate New York-Buenos Aires via Caracas under its present certificate.

Thus, Panagra's primary competitors will be able to operate directly from the United States to Buenos Aires with one-stop service under their present certificates. In order to be competitive, Panagra must be able to operate the new jet equipment New York-Buenos Aires one-stop via Lima. However, its present certificate will not permit this.

New York-Buenos Aires and New York-Lima are now Panagra's most important markets.

Realizing the significance of the new long range jet equipment to its primary routing between New York and Buenos Aires, Panagra acted promptly by ordering four,

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[fol. 1672] and optioning an additional two, DC-8 aircraft with J-75 turbine engines. Panagra will receive delivery on them in early 1960—in time to protect its competitive position, *if* it is in the meantime given authority to operate the new planes where traffic patterns will demand.

The four DC-8s on order by Panagra involve an estimated expenditure of more than $25 million. In addition, of course, large capital expenditures will be required to improve the ground facilities in South America. Extensive planning must now be done in closest cooperation with the countries which Panagra serves. Financing arrangements for this necessary flight and ground equipment will

depend upon obtaining legal authority to operate the long haul service.

It is apparent that the jet age of air travel will have outmoded the National-Pan American-Panagra Interchange Agreement. The extremely high cost and speed of jet operation will make the splitting of revenues and expenses an uneconomic and burdensome practice for any of the three carriers involved. Moreover, the New York-Buenos Aires and intermediate United States-South America markets will have become so integrated as to warrant the preferable one-carrier service.

Jet operation will require a routing flexibility that would be impossible in any sort of interchange arrangement. The nature of jet transportation will make obsolete the necessity of a Miami or Balboa stop.

These combined technological-traffic developments are not more than four to six years in the future. They require

[fol. 1673] extensive planning and preparation now. The staggering job cannot be budgeted on any sound financial basis without an international route structure permitting Panagra unrestricted access to Miami, Washington and New York. There can be little doubt that this will be a natural evolution of Panagra's operations.

The proper jet equipment is necessary and ordered. The route authority is necessary and must be applied for. Unless Panagra obtains both equipment *and* routes, it will not be able to provide the service the public will demand and need.

[fol. 1674]

PART THREE

BALBOA-MEXICO CITY-LOS ANGELES/ SAN FRANCISCO

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PART THREE

BALBOA-MEXICO CITY-LOS ANGELES/ SAN FRANCISCO

A. *Nature of Application*

This application is to extend Panagra's route 3,390 miles north from Balboa to Mexico City, Los Angeles and San Francisco. San Francisco and Los Angeles would be requested as co-terminals on the route which would begin at its southern end at Buenos Aires. Los Angeles-Mexico City turnaround authority would be requested, although only flights through Mexico City to and from South America would be operated initially.

B. *Reasons for Application*

1. If Panagra is to become a major United States air carrier and a sound investment in its own right, it must obtain access to relatively heavy traffic areas. Today, it operates into no such areas. Extension into Miami and New York would provide Panagra with one needed area, but this extension would not develop any *new* traffic areas. Mexico City and Los Angeles are volume markets which would buttress and sustain the rest of Panagra's long, lean route structure in South America.

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[fol. 1676] 2. The Mexico-California extension from Balboa together with a Florida-New York extension would produce an airline generating an estimated $33.6 millions in revenues in the first year of operation and an estimated profit, after income taxes at 52% and without federal subsidy, of conservatively $1.1 million. An airline operation of this scope would result in uniformly lower unit costs and would permit Panagra to operate at a cost level which would be substantially in line with other international air carriers. It would also provide a breadth, diversity and balance sufficient to minimize the effect of traffic fluctuations in any one area alone (e.g., the drop in Argentine traffic as a result of the revolution and devaluation of the peso).

3. Exclusive of any subsidy support, the route would provide an operating profit of $442,000. Moreover, it would soon contribute toward making the rest of Panagra's system free from subsidy need.

4. The expanded system would be a major step toward the most desirable route structure for the operation of large jet aircraft between the United States and Latin America.

5. Panagra has been a primary and pioneer United States-South America air carrier. Since 1930, it has had access into Central America at Panama. It is the logical carrier to be extended to Mexico and to connect the West Coasts of the two American continents.

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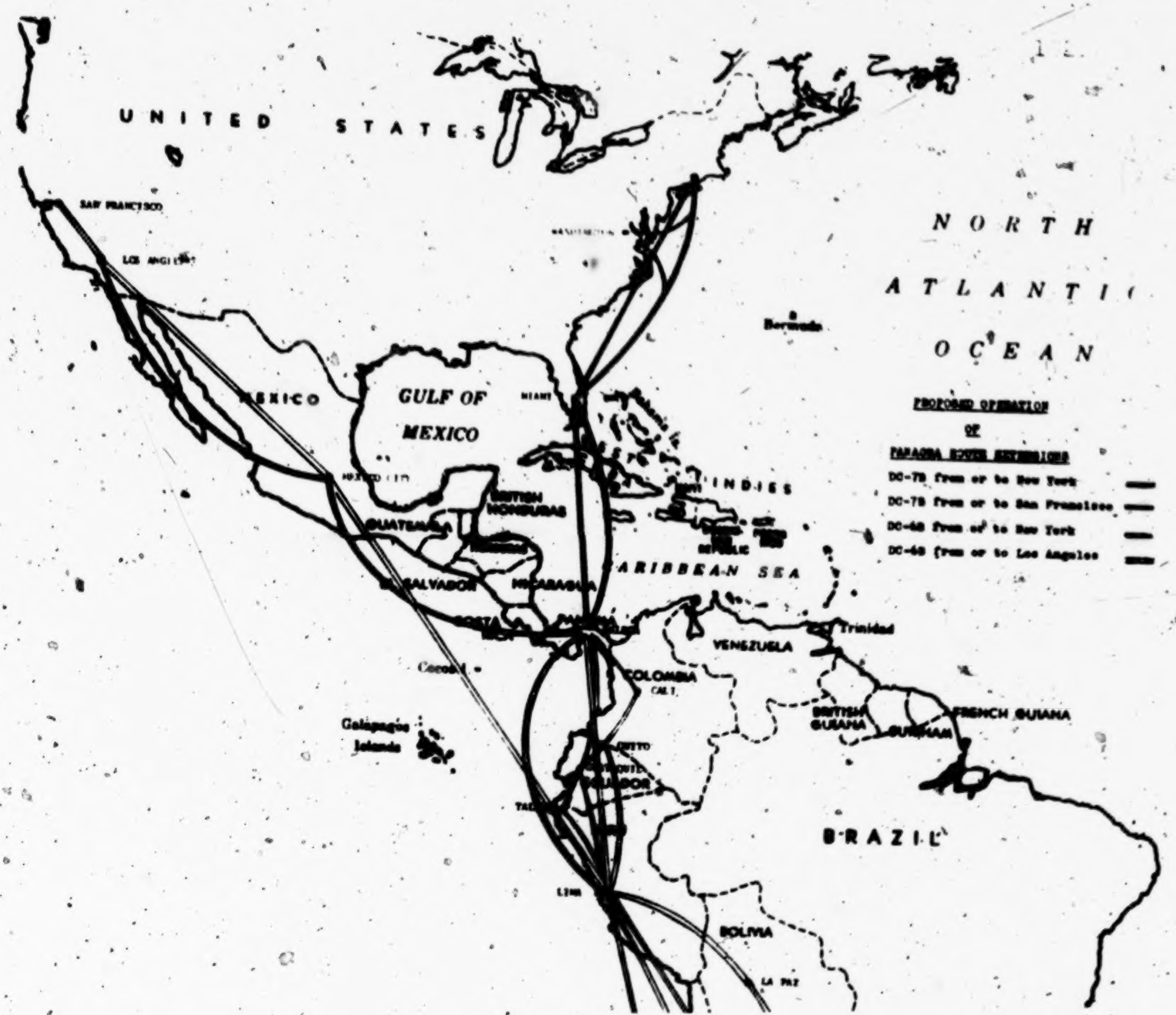
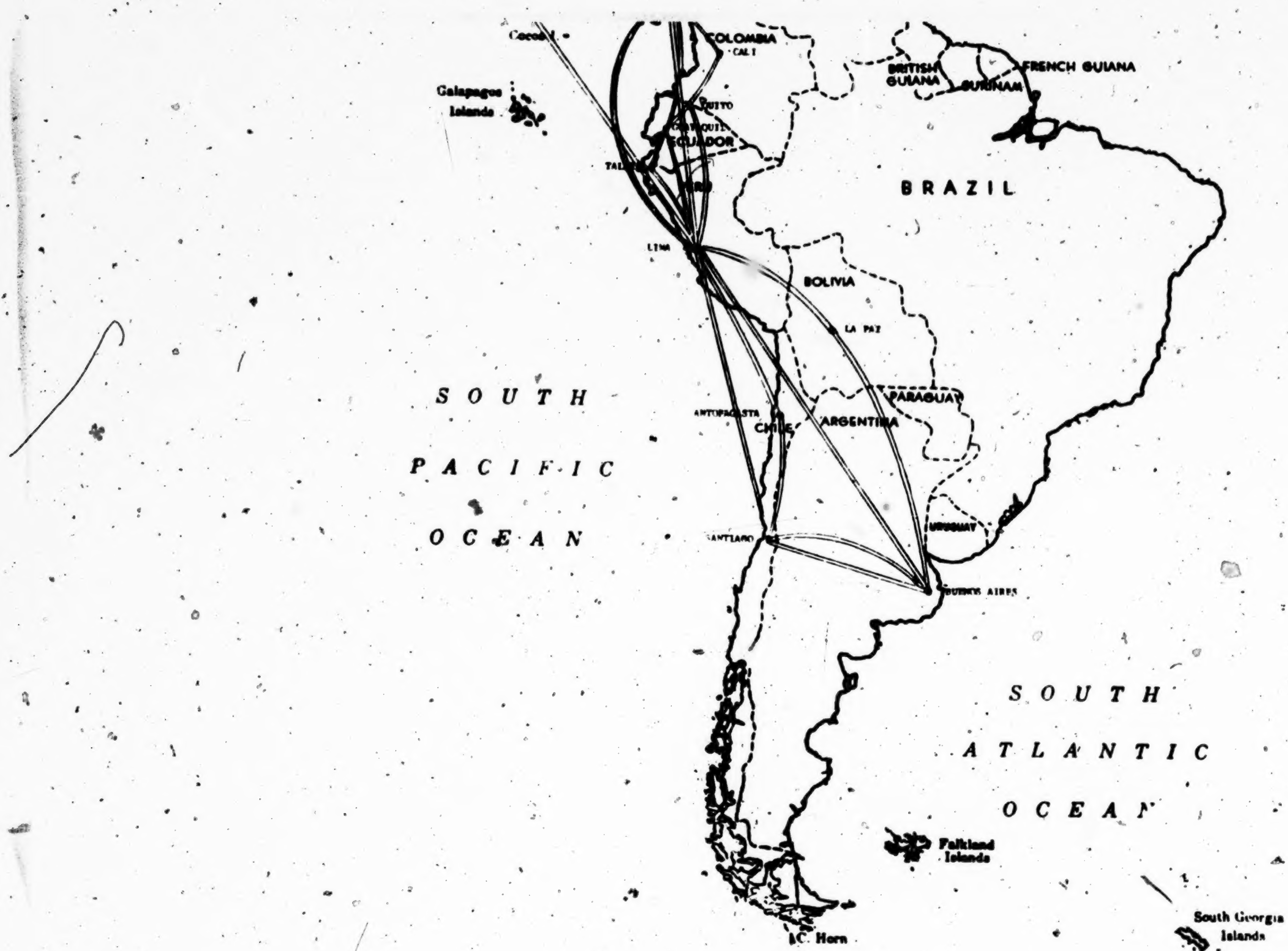
[fol. 1677] 6. Of vital importance is the need to improve air service connecting the West Coast of the United States, Mexico, the West Coast of South America, and Buenos Aires. At present, there is *no* one carrier or one plane service between the West Coasts. There is no U.S. flag service such as proposed by Panagra between California and Mexico or from Mexico to South America. Panagra, as a U.S. flag carrier which already serves the southern portion of this route to connect continents, is uniquely qualified to furnish the needed northern connection.

C. *The Proposed Operation*

It is proposed that Panagra operate three-round trips per week between the West Coast of the United States and the West Coast of South America. One DC-7B frequency would be operated weekly from the two California coterminals to Mexico City, then nonstop to Lima, then south to Buenos Aires, and then return serving the same points. Two DC-6B frequencies would be operated weekly from Los Angeles to Mexico City, Balboa, Lima, and return. At Lima, the 6B flights would connect with 6B flights coming from or going to Bolivia, Chile and Argentina. The expanded Panagra operation is shown on the map on the following page:


UNITED STATES
SAN FRANCISCO
NORTH
ATLANTIC
OCEAN
Bermuda
GULF OF
MEXICO
BRITISH
HONDURAS
GUATEMALA
NICARAGUA
INDIES
VENEZUELA
Trinidad
COLOMBIA
BRITISH
GUIANA
FRENCH GUIANA
Galapagos
Islands
QUITO
BRAZIL
LIMA
BOLIVIA
LA PAZ


COLOMBIA
CALI
Galapagos
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BRITISH
GUIANA
SURINAM
FRENCH GUIANA
QUITO
ECUADOR
BRAZIL
LIMA
BOLIVIA
LA PAZ
SOUTH
PACIFIC
OCEAN
PARAGUAY
CHILE
ARGENTINA
URUGUAY
SANTIAGO
BUENOS AIRES
SOUTH
ATLANTIC
OCEAN
Falkland
Islands
South Georgia
Islands
C. Horn

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[fol. 1679] The DC-7B flight would be operated in first class configuration identical to the 7B flights serving the East Coast of the United States. The DC-6B flights would be used in tourist class configuration, identical to the 6Bs serving the East Coast of the United States. Consideration might be given to converting the entire Panagra fleet of 7Bs and 6Bs to dual configuration in order to increase the flexibility of the combined operation.

The theoretical block-to-block flying times for the proposed western route are as follows:

Sector	DC-7B	DC-6B
San Francisco-Los Angeles	1:30	—
Los Angeles-Mexico City	5:20	5:40
Mexico City-Balboa	10:20	5:40
Balboa-Lima		5:30
Lima-Buenos Aires	6:20	—
	23:30	16:50

D. *Additional Aircraft*

The South America-Mexico-California operation would be possible with the acquisition of only one additional DC-7B and one additional DC-6B. Thus, Panagra's total long-range fleet would comprise six 7Bs and six 6Bs. Because all 7Bs and all 6Bs would be in identical configuration, they would be completely interchangeable as between the East

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[fol. 1680] Coast U.S. and West Coast services. Interchange of the 7Bs could take place at Buenos Aires and the 6Bs at Lima. It should be noted that currently four of the seven 6B frequencies between New York and South America terminate at Lima.

The proposed Mexico-California operation would result in an average daily utilization for the expanded system, including Miami and New York, of 7:31 hours for the six DC-7Bs and 7:43 hours for the six DC-6Bs, well within maintainable standards of aircraft use.

Panagra already has a sixth DC-7B on order for delivery in July of 1957. Substantial payments have been made to the manufacturer on this aircraft and the balance is budgeted to be paid out of Panagra's current cash flow. The sixth DC-6B would, presumably, have to be purchased on the open market at a price approximating $1,800,000. It is anticipated that Panagra would borrow the amount of money necessary to purchase the additional 6B.

Panagra is in the unique position of having the capacity to put the route into almost immediate operation with modern equipment without in any way diminishing its present main stem service between New York and Buenos Aires. Nonetheless, it should be recognized that the proposed schedules are only the minimum necessary to meet the

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[fol. 1681] immediate need for new through service in the western area. The lift capacity would be considerably expanded with the advent of the new jet equipment in 1960. The 7B and 6B service over the proposed route would be superseded in large measure after 1960 by the jet equipment now on order.

E. *Financial Result*

It is estimated that the new route extension would generate revenues of $4.7 million in its first year of operation. This would produce an operating profit of $442,000, without subsidy, and after absorbing the full depreciation on both the additional planes. In its first year of operation it is estimated that the route would produce on an added cost basis a net profit of $153,000 after taxes at 52%. On an allocated cost basis, the result would be even more favorable.

The revenue estimate of $4.7 million for the Mexico-California extension reflects a conservatively estimated 55% average passenger load factor south of Los Angeles. The basis for this traffic estimate is explained in Section II below.

If the assumed average load factor is increased to 60% from 55% on the sectors south of Los Angeles, which would easily be foreseeable, the route's revenues would increase to $5.1 millions and the net profit to $274,000.

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[fol. 1682] The estimated revenues as well as the expenses include the portion of the flights south of Balboa over Panagra's present system. Expenses are constructed on an added cost basis. A detailed explanation of the revenue and expense estimates appears in Section L below.

The estimated profit and loss statement for the first year's operation of the proposed route appears on the next page:
[fol. 1683]

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1957 Profit and Loss Estimate
Buenos Aires—Lima—Mexico City—Los Angeles/
San Francisco Operation

(Dollar amounts expressed in thousands)

Operating Revenues	
Passenger	$4,004
Mail—U.S.	94
Mail—Foreign	132
Freight	330
Excess Baggage	160
	$4,720
Operating Expenses	
Flying Operations	$1,123
Direct Maintenance—Flt. Equip.	446
Depreciation—Flight Equip.	574
Total Direct Flying Operations Exp.	$2,143
Ground Operations	$ 412
Ground & Indirect Maintenance	311
Passenger Service	320
Traffic & Sales	584

Advertising & Publicity	337
General and Administrative	132
Depreciation—Ground Equipment	39
Total Ground Operations Expense	$2,135
Total Operating Expenses	$4,278
Net Operating Income Without Federal Subsidy and Before Income Taxes	$ 442

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F. *Prior C.A.B. Proceedings and Applications*

With respect to the California-Mexico City segment, Western and American have applications pending. In the same Latin American Service Case which granted Braniff routes into South America, the C.A.B., with President Truman's approval, certificated Western Airlines between Los Angeles and Mexico City. Subsequently, when the U. S. Mexican bilateral air treaty negotiations faltered and no new U. S. carrier was permitted by the Mexican government to serve Mexico, President Truman "withdrew" his approval of the certification of new carriers into Mexico (Western, Braniff and Eastern). The legality of this withdrawal of approval by the President is an issue in the pending "New York-Mexico City Nonstop Service Case". Whatever the legality of its status, Western is generally regarded as having the inside track on the Los Angeles-Mexico City route whenever Mexico opens it, although American now also has an application pending for this same route. Hearings have not been scheduled, nor is the Mexican bilateral situation yet resolved.

With respect to the Mexico City-South America segment, no American carrier has applied for authority to operate a route that would include both Mexico City and points in South America.

G. *Present Service*

Fares. The San Francisco-Buenos Aires first class fare is $667 and the Los Angeles-Lima tourist class fare is $333. Broken down by sector these fares are:

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	First Class	Tourist
San Francisco-Los Angeles	$ 22	$ 14
Los Angeles-Mexico City	98	75
Mexico City-Balboa	143	110
Mexico City-Lima	352	258
Balboa-Lima	209	168
Lima-Buenos Aires	220	180

Los Angeles-Mexico City segment. The only nonstop service being operated today between Los Angeles and Mexico City is that of Compania Mexicana de Aviacion (CMA). CMA, a Pan American affiliate, operates a daily DC-6 first class service; CMA's published flying time is 5:40 hours. CMA operates no tourist class nonstop service —its daily DC-4 tourist planes make five intermediate stops between Los Angeles and Mexico City.

Mexico City-Balboa-Lima segment. The only carrier to operate nonstop between Mexico City and Lima is Canadian Pacific Airlines (CPAL). It offers a twice weekly service from Vancouver through Mexico City nonstop to Lima, using DC-6B dual configuration equipment. CPAL's scheduled flying time between Mexico City and Lima is ten hours northbound and eleven hours southbound. CPAL recently inaugurated service beyond Lima nonstop to Buenos Aires.

Pan American operates local tourist class service between Mexico City and Balboa, using DC-6B equipment. A one-stop flight is operated three times weekly and takes approximately seven hours; a 4- or 5-stop flight is operated daily and takes ten hours. Foreign flag carriers and the type of service offered by them between Mexico and Balboa are:

[fol. 1686] —110—

Carrier	Equipment	Weekly Frequency	No. of Stops	Type of Service
TACA	DC-4	1	5	Tourist
Aerovias				
Guest	Constellation	2	1	Tourist
LACSA	Convair 340	3	2	Tourist
KLM	Convair/DC-6*	1	4	Tourist

* Change of plane en route.

Pan American's San Francisco/Los Angeles-Guatemala City flights now proceed on with intermediate stops to Balboa and Caracas and return, so that it is possible to fly between Los Angeles and Balboa on PAA DC-6 type equipment in about 14 hours. This compares with approximately 12½ hours LAX-MEX-TUM via Panagra's DC-6Bs.

H. *Traffic Volume*

Presented on the next page is an analysis of the most recent March and September C.A.B. traffic surveys. These surveys record the number of passengers who were carried at some point in their journeys by a U.S. flag carrier. They do *not* reflect the number of passengers whose entire journeys were via foreign carriers. The number of passengers shown on the table following has been projected to an annual basis from the two months' actual count.

The totals include passengers who actually traveled between South America and Mexico City and the U.S. West Coast, and potential passengers, i.e., those who presumably would have traveled between South America and Mexico City and beyond if adequate service were offered. These totaled an estimated 33,972 in 1955, a 78% increase over 1953.

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[fol. 1687] In addition to the C.A.B. figures, the table below also shows the number of Panagra passengers who traveled or might have traveled to, from, or via Mexico City, as derived from Panagra's internal records. In 1955, a total of 7,408 passengers were in this category, a 37% increase over 1953.

Number of Actual and Potential Passengers Between South America and Mexico City

Total South America

	S.A.-Mexico City		S.A.-Mex-Lax & Pac.	
Year	C.A.B.	PNG	C.A.B.	PNG
1955	33,972	7.408	17.580	4,467
1954	27,636	6,675	13,320	4,109
1953	19,116	5,402	11,406	3,321

Lima and Points South

	S.A.-Mexico City		S.A.-Mex-Lax & Pac.	
Year	C.A.B.	PNG	C.A.B.	PNG
1955	16,548	6,004	8,928	3,645
1954	13,818	5,259	6,306	3,333
1953	7,800	4.317	5,466	2,735

Points North of Lima to and Including Balboa

	S.A.-Mexico City		S.A.-Mex-Lax & Pac.	
Year	C.A.B.	PNG	C.A.B.	PNG
1955	17,424	1,404	8,652	822
1954	13,818	1,416	7,014	776
1953	11,316	1,085	5,940	586

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[fol. 1688] The preceding table also shows the number of passengers originating or terminating in South America who did travel or might have traveled *through* Mexico City to and from the western part of the United States and points in the Pacific or the Orient. In 1955, there were an estimated 17,580 passengers in this category.

The total South America-Mexico City passengers have been broken down to show the desirability of a Balboa stop between Mexico City and Lima. Of the estimated 33,972 passengers who traveled or might have traveled between South America and Mexico City in 1955, 16,548 came from

or went to Lima and points south, while 17,424 came from or went to points north of Lima to and including Balboa. Thus, 51% of South American passengers presently traveling from, to or through Mexico City would prefer or require use of the Balboa gateway.

The above table does not show any of the turnaround passengers carried by CMA between Mexico City and Los Angeles. CMA's statistics have been unavailable. Assuming that CMA has operated on a year-round passenger load factor of 65% with its daily nonstop frequency and that its DC-6 carries 52 first class seats (the same number as Panagra's DC-6s carried), CMA transported an estimated 24,674 passengers annually.

The growth potential in this general area is indicated by the increase in the number of passengers carried by Pan American on its nonstop Los Angeles-Guatemala City route. According to the examiner's report in C.A.B. Docket No. 6615, Pan American carried since its first full year of operation:

[fol. 1689] —113—

Year	Passengers	% Increase Over 1952
1954	10,662	55.5%
1953	7,743	12.9%
1952	6,856	—

Canadian Pacific has also shown a steady increase in the number of passengers it carries between Mexico City and Lima, on its twice weekly service. The first full year of CPAL's operation was 1954.

Year	Passengers	% Increase Over 1954
1956	3,228[a]	59.6%
1955	2,222	9.8%
1954	2,023	—

[a] Projected from nine months actual.

Projected Load Factor. Based upon these traffic indications and new traffic that would be generated by the new

Panagra service, an average revenue passenger load factor of 55% has been estimated for the first year of operating the sectors of the new route south of LAX. (Because no local traffic rights would be requested for the LAX/SFO sector, a passenger load factor of only 25% has been estimated for the first year of operating one weekly 7B flight LAX/SFO.) The estimated 55% load factor appears conservative in view of the lack of adequate through air service now existing in the area.

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[fol. 1690] On the LAX-MEX segment, an average load factor of 55% for three weekly frequencies appears low. PAA estimated a revenue passenger load factor in the "Guatemala-Los Angeles Renewal Case" of 64.5% for the year beginning July 1, 1955, on its LAX-GUA route. (PAA estimated 30% on the LAX/SFO segment.) Pan American now operates four DC-6B frequencies per week between SFO/LAX and GUA. SFO/LAX-MEX has every evidence of being a stronger route, even with CMA and possibly other competition, than PAA's Guatemala City route. The table on page 111 indicates that 17,580 passengers traveled between South America and the West Coast of the United States in 1955. If Panagra's new service were to carry only half of these total available through passengers, without carrying any of the heavy local traffic, it would have a passenger load factor of 44.5% on its three weekly frequencies MEX-LAX. New traffic generated by the new service, local traffic, and a general increase in air travel, would account for at least another 10.5% of the ASMs.

On the MEX-TUM-LIM segment, an average load factor of 55% also appears on the low side. With one-plane direct service and three weekly round trips connecting MEX and LIM, Panagra would supply annually 59,408,000 available seat miles. If one-half of the 16,548 LIM-MEX potential passengers in 1955 shown in the table on page

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[fol. 1691] 111, and one-half of the 33,972 TUM-MEX potential passengers in 1955 traveled via Panagra, they would produce 37,956,000 revenue passenger miles per

year, or a 63.9% load factor between Lima and Mexico City. The one-half of total available annual traffic does not appear excessive when it is realized that 6,004 of the 8,274 LIM-MEX potential passengers and 7,408 of the 16,986 TUM-MEX potential passengers in 1955 actually traveled on Panagra planes for some part of their journey. Assuming these passengers would remain on Panagra planes between LIM and MEX, they would produce annual revenue passenger miles of 20,171,000. These assured passengers alone would thus produce an annual load factor of 34.0% on Panagra's proposed flights connecting LIM and MEX.

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I. *South America-Orient Traffic Indications*

Although it has not been possible to date to develop any precise travel statistics between the Orient and South America, there is sound reason to believe that this is a developing market. There are already a substantial number of Orientials in Bolivia, Peru, Ecuador, Argentina and Brazil, and there is the prospect of an even larger immigration movement within the next several years from Japan to South America. With the resurgence of the Japanese economy, traffic between Japan, as well as other Far Eastern points, and South America is bound to increase. This appears already to be the case.

Japan Airline has operated a number of charter flights across the Pacific, through the California gateway, across the United States and the Caribbean to South America. With that airline's gain in stature it can be expected that it will attempt to implement routes to South America which it is now actively surveying.

A sizeable part of CPAL's traffic to Lima has been Oriental. Canadian Pacific, of course, connects its Vancouver-Mexico City-Lima-Buenos Aires service with its Great Circle route across the North Pacific to Japan.

Pan American operates a Los Angeles-Guatemala City-Balboa-Caracas-Rio de Janeiro service which ties in with its central Pacific route to Japan and the Orient. This all-

Pan American routing, of course, is substantially longer in time and mileage than that of Canadian Pacific or the proposed Panagra route.

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[fol. 1693] These developing Orient-to-South America services would indicate an increasing volume of traffic and cause for diversion from Panagra unless Panagra offers a competitive service.

J. *Growing California*

California is one of the heavily industrialized and fastest expanding areas in the United States. The state's dramatic population increase in the post-war years is shown in the following table:

Year	Population (000)	% Increase Over 1940	National Average Increase
1940	6,907	—	—
1950	10,586	53%	15%
1956 (est)	13,433	95%	27%

Source: Current Population Reports, U. S. Bureau of Census.

The Los Angeles metropolitan area had a population of 4.4 million in 1950. The San Francisco metropolitan area had a population of 2.2 million in 1950.

Increases in population and other aspects of Mexico, as well as of the countries of South America, are detailed in the Annexes, and portend an ever increasing demand for the type of service proposed by Panagra.

K. *Comparative System Profit and Loss*

1. *Estimate of First Year's Earnings.*

The estimated 1957 profit and loss statement for the proposed Panagra system is presented on the following page:

Proposed Panagra System
Estimated Profit and Loss Statement
(After Extension to New York and San Francisco on an added cost basis)

Future Year

Projection to 1957	Present Panagra System (000)	Balboa-Miami Sector (000)	Miami-New York Sector (000)	Mexico Calif. Extension (000)	Proposed Panagra System (000)	Cents Per Available Ton Mile
Operating Revenue						
Passenger	$15,317	$ 4,276	$ 3,459	$ 4,004	$27,056	34.87 ¢
Mail - United States	315	296	115	94	820	1.06
Mail - Foreign	562	161	---	132	855	1.10
Freight	1,338	342	469	330	2,479	3.19
Excess Baggage	715	207	125	160	1,207	1.56
Non-Schedule Transport Svce		---	---	---	---	---
Other Transportation		---	---	---	---	---
Total Transportation	$18,247	$ 5,282	$ 4,168	$ 4,720	$32,417	41.7[illegible] ¢
Federal Subsidy	$ ---	$ ---	$ ---	$ ---	$ ---	--- ¢
Incidental Revenues	1,155	---	---	---	1,155	1.49
Total Operating Revenues	$19,402	$ 5,282	$ 4,168	$ 4,720	$33,572	43.27 ¢
Operating Expenses						
Flying Operations	$ 4,561	$ 1,165	$ 999	$ 1,123	$ 7,848	10.11 ¢
Direct Maintenance-Flight Equip.	1,541	488	432	446	2,907	3.75
Depreciation-Flt Equip.	1,582	522	557	574	3,235	4.17
Total	$ 7,684	$ 2,175	$ 1,988	$ 2,143	$13,990	18.03 ¢
Ground Operations	$ 2,292	$ 458	$ 407	$ 412	$ 3,569	4.60 ¢
Ground & Indirect Mntnce.	1,641	341	302	311	2,595	3.34
Passenger Service	1,165	342	393	320	2,220	2.86
Traffic & Sales	2,258	627	405	584	3,874	4.99
Advertising & Publicity	1,303	241	250	337	2,131	2.75
General & Administrative	1,860	149	92	132	2,233	2.88
Depreciation-Ground Equip.	181	16	17	39	253	0.33
Total	$10,700	$ 2,174	$ 1,866	$ 2,135	$16,875	21.75 ¢
Total Operating Expenses	$18,384	$ 4,349	$ 3,854	$ 4,278	$30,865	39.78 ¢
Net Operating Income	$ 1,018	$ 933	314	442	$ 2,707	3.49 ¢
Non-Operating Income - (Expense)	(100)	---	(145)	(124)	(369)	(0.48)
Net Income Before Taxes	$ 918	$ 933	$ 169	$ 318	$ 2,338	3.01 ¢
Income Taxes (@ 52%)	477	485	88	165	1,215	1.56 ¢
Net Profit	$ 441	$ 448	$ 81	$ 153	$ 1,123	1.45 ¢

Estimated Revenue Plane Miles (in thousands)

	Present Panagra System	Balboa-Miami Sector	Miami-New York Sector	Mexico Calif. Extension	Proposed Panagra System
DC-7B	2,670	833	791	664	4,958
DC-6B	1,864	833	802	901	4,400
Total	4,534	1,666	1,593	1,565	9,358

[fol. 1695] The estimated profit and loss statements on the preceding page are based on an investment in a fleet of six DC-7Bs and six DC-6Bs.

As a result of charging the Miami-New York sector with the increased depreciation for the two aircraft reacquired from National and because of the expected diversion from the Balboa-Miami sector due to operations of the SFO/LAX-MEX-TUM-LIM-BUE route, the estimated net operating income shown on the preceding page for the Balboa-Miami and Miami-New York sectors differs from the estimates for these sectors in Parts One and Two above. It should also be noted that the present Panagra system P & L on the preceding page eliminates return on investment from PAA under the Through Flight Agreement and eliminates $358,000 of expenses allocable to the interchange operation not reimbursed by National but which have been charged to the Miami-New York sector in this study. A detailed explanation of the revenue and expense estimates appears in Section L below.

2. *Estimated Return on Investment.*

Average stockholder equity in the present Panagra system in 1956 and for the proposed system in 1957 is summarized below:

	Net Worth			
	Present Panagra System 1/1/56 (000)	Present Panagra System 12/31/56 (Est.) (000)	Proposed Panagra System 1/1/57 (Est.) (000)	Proposed Panagra System 12/31/57 (Est.) (000)
Capital Stock	$ 7,500	$ 7,500	$ 7,500	$ 7,500
Surplus and Surplus Reserves	5,312	6,259	6,259	7,157
	$12,812	$13,759	$13,759	$14,657

	1956	1957
Average Net Worth	$13,286,000	$14,208,000

[fol. 1696] Net profit after interest charges and income taxes (at 38%) for the present Panagra system for 1956 is estimated at $971,000 or 7.3% on the average net worth during the period. Net profit after interest charges and income taxes (at 52%) in the first year of operation of the proposed Panagra system is estimated at $1,123,000 or 7.9% on the average net worth during the period.

The estimated average total capital employed by the present Panagra system in 1956 and by the proposed Panagra system in 1957 is computed below:

	Present Panagra System 1/1/56 (000)	Present Panagra System 12/31/56 (Est.) (000)	Proposed Panagra System 1/1/57 (Est.) (000)	Proposed Panagra System 12/31/57 (Est.) (000)
Net Worth	$12,812	$13,759	$13,759	$14,657
Long Term Debt	7,760	6,744	10,774	8,828
	$20,572	$20,503	$24,533	$23,485

	1956	1957
Average Capital Employed	$20,538,000	$24,009,000

Net profit *before* interest charges but after income taxes (at 38%) for the present Panagra system for 1956, is estimated at $1,052,000 or 5.1% of the average *capital employed* during the period. Net profit before interest charges but after income taxes (at 52%) in the first year of operation of the proposed Panagra system, is estimated at $1,300,000 or 5.4% of average capital employed during the period.

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[fol. 1697] The return on investment for the expanded Panagra system in 1957 shows only a slight increase from the expected return on investment from the present system in 1956. This reflects a 37% increase in income taxes as a result of loss of Western Hemisphere Trade Corporation status, and an increase of $3.5 million in the investment base as a result of the initial borrowings required to finance the route expansions. However, as long term debt decreases and net profits increase as the route extensions are de-

veloped, the investment return should improve considerably.

3. *Comparison of Unit Costs.*

If the present Panagra system were to be extended as proposed in this study, the resulting unit expenses on an available ton mile basis would compare favorably with the average unit expenses of U.S. International air carriers for the most recent period available. The unit expenses of the expanded Panagra system would be substantially lower than those of the present system. This is demonstrated by the following table:

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	Present Panagra System Jan/June 1956	Proposed Panagra System 1957 (Est.)	Average All U.S. Int'l Air Carriers Jan/June 1956
	(Cents Per	Available Ton Mile)	
Operating Expenses			
Flying Operations	12.17¢	10.11¢	11.31¢
Direct Maint.—Flt. Equip.	3.57	3.75	3.83
Deprec.—Flt. Equipment	4.51	4.17	2.74
Total Direct Operating Expense	20.25¢	18.03¢	17.88¢
Ground Operations	6.06¢	4.60¢	4.63¢
Ground & Indirect Maint.	3.94	3.34	2.46
Passenger Service	2.52	2.86	2.70
Traffic & Sales	5.50	4.99	4.74
Advg. & Publicity	2.90	2.75	1.71
Genl. & Administrative	4.77	2.88	3.11
Deprec.—Ground Equipment	0.39	0.33	0.33
Total Ground & Indirect Expense	26.08¢	21.75¢	19.68¢
Total Operating Expense	46.33¢	39.78¢	37.56¢

Reasons for the reduced unit expenses may be summarized as follows:

1. No Interchange cost penalties.
2. Extensive operations within the United States, resulting in lower average fuel costs.

3. Increased DC-6B and DC-7B operations, and therefore reduced impact of relatively high unit cost of local service operations in Ecuador and Bolivia with DC-3 and DC-4 equipment.

4. Longer nonstop flights; and hence fewer landings per route mile, with a resultant decrease in unit expenses, particularly for ground operations.

5. Fixed overhead costs spread over greatly expanded operations.

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L. *Analysis of Revenues and Expenses*

Following is an explanation of the bases and assumptions used in estimating the revenues and expenses for operation of the proposed expanded system. Unless otherwise indicated below, the same figures were used for computing the Balboa-Miami and Miami-New York sector profit-and-loss estimates as set forth in detail in Parts One and Two above.

To estimate revenues, traffic projections were generally based upon 1955 traffic volumes. In deriving passenger revenues from the passenger traffic projections, either current fares or passenger revenue yields for the most recent period available (the twelve months ended June 30, 1956) were used. Cargo and mail revenue rates and yields were treated separately on a sector-by-sector basis depending upon information available.

No non-scheduled revenue or expense has been included in the estimated profit and loss statement for the proposed Panagra system as it is believed that the net income from such operations would be negligible in amount.

1. *Passenger Revenues*

Panagra System. Estimated 1957 Panagra system passenger revenues are based on a 7% annual increase over 1955 revenue passenger miles, adjusted for a certain amount of diversion to the proposed SFO/LAX-MEX-TUM-LIM-BUE route. Analysis of internal traffic records indicated that 5½% of the revenue passenger miles of the present

Panagra System might be diverted annually to the new California service. After making this adjustment, RPM's for the Panagra System in 1957 were estimated at 173,-700,000. Revenues were based on Panagra's passenger yield for the year ended June 30, 1956, 8.82 cents per RPM.

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[fol. 1700] *Balboa-Miami.* Analysis of internal traffic records for 1955 indicated that 5% of the Balboa-Miami through travelers might have been diverted from this sector had Panagra operated into Mexico City and Los Angeles during that year. The 29,878 through passengers over the through flight sector in 1955 were reduced by 5% and then increased by 10% in 1956 and 1957 resulting in an estimated 34,344 through and 16,113 local passengers in 1957. These totals were multiplied by the applicable one-way nonstop fares reduced by 15% to account for round-trip discounts, half-fares, etc.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. The proposed Panagra schedule would operate two round-trip tourist flights per week between Los Angeles and Lima with DC-6B equipment and one round-trip first-class flight per week between San Francisco and Buenos Aires with DC-7B equipment.

First-class passenger revenue on the DC-7B flights between LAX and BUE was estimated by reducing the published LAX-BUE first-class fare by 15% to account for round-trip discounts, half-fares, etc., and multiplying the reduced fare by an average annual 55% load factor on 58 seat aircraft, adjusted to account for the performance factor.

First-class passenger revenue on the DC-7B flights between San Francisco and Los Angeles was estimated by reducing the published SFO-LAX first-class fare by 15% and multiplying the reduced fare by an average annual 25% load factor on 58 seat aircraft, adjusted to account for the performance factor.

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[fol. 1701] Tourist class passenger revenue on the DC-6B flights between Los Angeles and Lima was estimated by

reducing the published LAX-LIM tourist fare by 15% and multiplying the reduced fare by an average annual 55% load factor on 70 seat aircraft, adjusted to account for the performance factor.

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2. *U.S. Mail Revenues*

Panagra System. Panagra's 1955 U.S. Mail ton miles were increased by 4% per annum through 1957 to 553,902 and multiplied by Panagra's U. S. Mail per ton mile rate for the twelve months ended June 30, 1956, 56.9¢.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Panagra's tonnage of U.S. Mail per revenue plane mile flown for the twelve months ended June 30, 1956 was multiplied by the revenue plane miles scheduled for 1957 over the SFO/LAX-MEX-TUM-LIM-BUE route, and the resultant 171,072 ton miles multiplied by 55¢ per ton mile, the same yield as estimated for the Balboa-Miami sector.

3. *Foreign Mail Revenues*

Panagra System. The 1955 Panagra system foreign mail ton miles were increased through 1957 at a compounded annual rate of 13.18%, the average annual increase in foreign mail ton miles for Panagra from 1951 through 1955. Panagra's yield per ton mile for the twelve months ended June 30, 1956 was reduced by 25% in anticipation of a possible downward revision of rates.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Panagra's ton miles of foreign mail-per-scheduled revenue plane mile for the twelve months ended June 30, 1956 was multiplied by the revenue plane miles over the SFO/LAX-MEX-TUM-LIM-BUE route. The foreign mail revenue yield per ton mile for the present Panagra system for the twelve months ended June 30, 1956 was reduced by 25% to allow for an anticipated downward revision in rates, and multiplied by the estimated 125,683 foreign mail ton miles in 1957.

[fol. 1703]

4. *Freight Revenues.*

Panagra System. The 1955 Panagra system freight ton miles were increased 10% per annum through 1957. The 3,187,320 estimated 1957 freight ton miles were then multiplied by Panagra's freight yield per ton mile for the twelve months ended June 30, 1956, 41.97¢.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Panagra's ton miles of freight per scheduled revenue plane mile for the twelve months ended June 30, 1956 were multiplied by the estimated 1957 revenue plane miles over the sector. The resulting 971,449 ton miles were multiplied by $.34, the same freight yield estimated for 1957 over the Balboa-Miami sector.

5. *Excess Baggage Revenues.*

Panagra System. Excess baggage revenue was estimated at 4.67% of estimated 1957 passenger revenues, the same relationship experienced by the present Panagra system for the twelve months ended June 30, 1956.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Since PAA-LAD is the only American carrier operating in this area, its 1955 experience of 4% of passenger revenue was used for this sector.

6. *Incidental Revenues.*

Panagra System. Incidental revenues for the present Panagra system in 1957 are estimated to include annual rental of $1,080,000 on four DC-6 aircraft and $475,000 from other sources. The estimated total annual incidental rev-

[fol. 1704] enue of $1,555,000 does not include either rental income from one DC-4 expected to be sold before the end of 1957 or return on investment under the Through Flight Agreement.

7. *Flying Operations Expense*

Panagra System. 1957 Panagra system flying operations expense was estimated by taking the highest of the first three quarters of 1956 and adding it to Panagra's actual flying operation expense for the first nine months of 1956. From the annual estimate was deducted $70,000, the annual available seat mile fuel cost difference between National and Panagra which is presently being absorbed by the Panagra System. Since this fuel cost for operating over the interchange sector is now reflected in the Miami-New York sector P & L Statement, the present Panagra system P & L estimate will no longer reflect this cost.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Panagra's 1955 basic cost of Flying Operations per flying hour for DC-7Bs and DC-6Bs, excluding rentals, fuel and hull insurance, was developed as in Part One:

	Basic Flying Operations Cost Per Flying Hour
DC-7B	$72
DC-6B	61

The fuel cost per flying hour for DC-7Bs and DC-6Bs was computed by multiplying the average consumption of fuel per flying hour by the average cost per gallon of fuel over the SFO/LAX-MEX-TUM-LIM-BUE route. The following typical fuel costs per gallon were used:

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	DC-7B	DC-6B
San Francisco	19 cents	18 cents
Los Angeles	19 cents	18 cents
Mexico City	24 cents	22 cents
Balboa	23 cents	21 cents
South of Balboa	29 cents	28 cents

The per flying hour cost of fuel for each sector was then added to the basic per hour cost and the total multiplied by the estimated number of flying hours over the sector.

The annual cost of hull insurance for the California route was computed by multiplying Panagra's present rate for

hull insurance times the insurable value of one DC-7B and one DC-6B. The result was then added to the total developed above.

8. *Maintenance—Flight Equipment*

Panagra System. Maintenance of Flight Equipment expense for the Panagra System in 1957 was estimated by adding the highest of the first three quarters of 1956 to Panagra's actual Maintenance of Flight Equipment expense for the first nine months of 1956. From the annual estimate $78,000, the available seat mile cost difference resulting from the terms of the Interchange Agreement, was subtracted, since full maintenance of flight equipment expense for the Miami-New York sector has been included in the Miami-New York sector P & L estimate.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. The per flying hour cost of Maintenance of Flight Equipment based on Panagra's 1955 experience was estimated at $61 for DC-6Bs and $96 for DC-7Bs in Parts One and Two. These basic costs were multiplied by the estimated number of flying hours for each type of equipment over the route to California.

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9. *Depreciation—Flight Equipment*

Panagra System. Depreciation of Flight Equipment expense for the Panagra system in 1957 was estimated by adding the highest of the first three quarters of 1956 to Panagra's actual Depreciation of Flight Equipment expense for the first nine months of 1956. From this estimate was deducted the annual allocable depreciation charge of $150,000 for the Miami-New York sector not reimbursed by National, because the Miami-New York sector estimated P&L reflects a full allocation of depreciation charges.

Miami-New York. In Part II above a full allocation of depreciation charges based on Panagra's fleet of DC-6Bs and DC-7Bs was developed for the Miami-New York sector. To this estimated $506,000 was added $51,000, the estimated annual increase in depreciation charges for the one DC-6B and one DC-7B reacquired from National upon

termination of the Interchange Agreement (after amortizing the net book capital gain from sale of the two aircraft to National against the increased depreciation of the two reacquired aircraft).

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. The annual depreciation charges were determined by taking the cost of the DC-7B, $2,100,000, and the cost of the DC-6B, estimated at $1,800,000 less 15% for residual value and $30,000 for built-in overhaul reserve for each plane. To this figure was added $450,000 for spare engines, props, etc. and $175,000 for three maintenance kits at the three cities not now served less 10% for residual value. The net depreciable value of the two aircraft plus spares was then depreciated over a seven year period. To this annual depreciation charge was added a spare parts obsolesence charge by PAA computed by multiplying the revenue plane miles for each plane over the sector by 0.66¢ and 3.4¢ per plane mile for the DC-6B and DC-7B respectively.

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10. *Ground Operations*

Panagra System. Ground Operations expense for the Panagra system in 1957 was estimated by adding the highest of the first three quarters of 1956 to the actual Ground Operations expense of the Panagra system during the first nine months of 1956.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Ground Operations expense for the new route was estimated by multiplying the estimated annual number of take-offs at each point by the following amount per take-off.

San Francisco	$600
Los Angeles	377
Mexico City	466
Balboa	285
Lima	403
Buenos Aires	260

Analysis of the CAB Form 41. Schedules B-4 and B-5 of Pan American (LAD) for the year 1955 and the first

six months of 1956 reveal that LAD's Ground Operations cost at San Francisco per take-off averaged $392 in 1955 and $437 for the first six months of 1956. Since Panagra's total annual take-offs at San Francisco will be fewer than LAD's, a cost of $600 per take-off was estimated.

LAD had 190 take-offs at Los Angeles during 1955, the approximate annual number anticipated by Panagra (208). Therefore, LAD's average cost of $377 per take-off during 1955, was used to estimate Panagra's Ground Operations expense at Los Angeles. (For the first six months of 1956, LAD's average take-off charge declined to $359 with 241 take-offs.)

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[fol. 1708] LAD's ground operations expense at Mexico City during 1955 averaged $233 per take-off and $266 per take-off during the first six months of 1956. Since LAD's annual take-offs at Mexico City equal 1000-1200 per year, compared with an expected 300 for Panagra's new route, LAD's 1955 average cost of $233 was doubled.

Ground Operations cost per take-off at Balboa, Lima, and Buenos Aires for the California service was obtained by taking Panagra's average cost per take-off at these three points during the first six months of 1956.

11. *Ground and Indirect Maintenance*

Panagra System. Estimated by adding the highest of the first three quarters of 1956 to Panagra's actual Ground and Indirect Maintenance expense for the first nine months of 1956.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires.

The per flying hour cost for Ground and Indirect Maintenance, estimated at $41 for DC-6Bs and $69 for DC-7Bs, as developed in Parts One and Two above, was multiplied by the estimated number of flying hours for each type of equipment over the route to LAX/SFO.

12. *Passenger Service Expense.*

Panagra System. Estimated at 8% of passenger revenue, based on Panagra's experience in 1954 and 1955. From

[fol. 1709] this estimated annual amount $60,000, the amount of passenger service expense incurred by Panagra over the interchange sector but not reimbursed by National, was subtracted because the Miami-New York P&L statement reflects a full allocation of passenger service expense for that sector.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Estimated at 8% of passenger revenues, Panagra's experience during 1954 and 1955.

13. *Traffic and Sales Expense.*

Panagra System. Estimated at 13% of total commercial revenues (passenger, freight and excess baggage) based on Panagra's experience in 1954 and 1955.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Estimated on same basis as Panagra system.

14. *Advertising and Publicity Expense.*

Panagra System. Estimated by adding the highest of the first three quarters of 1956 to Panagra's actual Advertising and Publicity expense for the first nine months of 1956.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Estimated at 7.5% of total commercial revenues for the sector, based on Panagra's experience in 1955.

15. *General and Administrative Expense.*

Panagra System. Estimated by adding the highest of the first three quarters in 1956 to Panagra's actual G&A expense for the first nine months of 1956.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Estimated by taking 12% of the estimated annual cost of salaries for this sector representing em-

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[fol. 1710] ployee benefits and payroll taxes. To this was

added $100,000 to cover increased legal fees, franchise taxes, and additional overhead expenses for operation of this route.

16. *Depreciation of Ground Equipment.*

Panagra System. Estimated by adding the highest of the first three quarters in 1956 to Panagra's actual Depreciation of Ground Equipment expense for the first nine months of 1956.

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. It was assumed that ground equipment needed at San Francisco, Los Angeles, and Mexico City would approximate that estimated in detail for New York in Part Two above. The same $13,000 annual depreciation charge for ground equipment was therefore applied at each new station.

17. *Non-Operating Expense.*

Panagra System. Estimated by adding the highest of the first three quarters in 1956 to Panagra's actual Non-Operating expense for the first nine months of 1956.

Miami-New York. Estimated at $145,000, representing the estimated interest on the additional debt incurred in replacing the National deposit and in reacquiring the one DC-6B and one DC-7B from National (See Section D-3 in Part II above).

San Francisco/Los Angeles-Mexico City to Lima and Buenos Aires. Consists of interest charges on additional borrowings required to put the new route into operation. No additional borrowing will be required for the DC-7B being delivered in July, 1956; the DC-6B will require an

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[fol. 1711] estimated $1,800,000; 1½ months of cash operating expenses for working capital will require $460,000; and it is estimated that $500,000 of the $625,000 required for spare parts will have to be borrowed. Assuming a 4½% interest rate on total additional borrowings of $2,760,000 results in an estimated annual interest charge of $110,000.

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PANAGRA: PROPOSED ROUTE EXTENSIONS

INDEX OF TABLES

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ANNEX E

ANNEX F

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ANNEX A

GENERAL ECONOMIC GROWTH INDICATORS FOR LATIN AMERICA

Table I shows the estimated total population of the Central and South American countries for the years 1946, 1950 and 1954. The table shows that the population of Latin America has increased 21% between 1946 and 1954. Compared to this, the population of the United States has increased only 15% and that of Western Europe only 8%. As shown, a United Nations study estimates that by 1980 the 1954 population of Latin America will have increased 80% to a total of roughly 300 million people.

Table II shows the value of United States direct investments in Latin America for the years 1949 through 1954.

This table shows that six and one quarter billion dollars was invested in the Latin American republics in the year 1954, a 36% increase over 1949.

Table III shows the total foreign trade of selected Latin American countries for the years 1938, 1948 and 1954. For the last year reported the total was 16.8 billion dollars, five times higher than the pre-war level.

Table IV shows the foreign trade of selected Latin American countries with the United States for the years 1938, 1948 and 1954. This table shows that in 1938 28% of the total Latin American trade was with the United States. In 1948 44% was with the United States. In 1954 the United States percentage had slipped to 41%, indicating increased competition from Europe for Latin American trade and the need for the United States to meet this renewed competition.

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Table V presents industrial production indices for selected Latin American countries. Using 1948 as the base period. Latin American production had increased 38% by 1954, compared to a 20% increase for the U.S. in the same period.

Table VI shows the gross national product in selected Latin American countries, both total and per capita, for the years 1946, 1950 and 1954. Total gross national product for all of Latin America for 1954 shows an increase of 41% over 1946, compared with a 28% increase for the U.S. in the same period.

Parenthetically, on almost every basis of comparison, Brazil, which Panagra does not serve, has shown the greatest advances.

ANNEX A
TABLE I

ESTIMATED TOTAL POPULATION OF CENTRAL AND SOUTH AMERICAN COUNTRIES

1946, 1950, 1954, 1960, 1970, 1980
(In Thousands)

COUNTRY	1946	1950	1954	% Increase 1954 vs 1946	Projections 1960	Projections 1970	Projections 1980	% Increase 1980 vs 1954
Cuba	5,010	5,362	5,807(1)	15.9% (3)	NA	NA	NA	NA
Mexico	23,183	25,791	28,849	24.4	33,279	42,992	55,469	92.3%
Central America								
Costa Rica	715	800	915	28.0	1,087	1,433	1,852	102.4
El Salvador	1,764	1,868	2,122	20.3	2,409	3,058	3,821	80.1
Guatemala	2,502	2,802	3,149	25.9	3,542	4,525	5,759	82.9
Honduras	1,287	1,428	1,608	24.9	1,808	2,274	2,840	76.6
Nicaragua	949	1,060	1,202	26.7	1,421	1,862	2,402	99.8
Panama	721	797	886	22.9	1,043	1,339	1,697	91.5
Total Central America	7,938	8,755	9,882	24.5%	11,310	14,491	18,371	85.9%
South America								
Argentina	15,654	17,189	18,742	19.7%	20,036	22,997	26,250	40.1%
Bolivia	2,883	3,019	3,162	9.7	3,876	5,048	6,627	110.0
Brazil	47,313	51,976	57,098	20.7	66,085	83,719	105,527	84.8
Chile	5,430	5,809	6,238	14.9	6,867	8,196	9,879	58.4
Colombia	10,318	11,260	12,381	20.0	15,324	20,578	27,388	121.2
Ecuador	2,824	3,157	3,567	26.3	4,160	5,462	7,174	101.1
Paraguay	1,275	1,397	1,530	20.0	1,874	2,470	3,212	109.9
Peru	7,877	8,521	9,213	17.0	11,190	15,189	20,370	121.1
Uruguay	2,281	2,353(2)	2,525(1)	10.7(3)	2,717	2,975	3,212	27.2
Venezuela	4,391	4,974	5,605	27.6	6,669	8,777	11,476	104.8
Total South America	100,246	109,655	120,061	19.8%	138,798	175,411	221,115	84.2%
Total Latin America(4)	136,377	149,563	164,599	20.7%	183,387	232,894	294,955	79.2%
Total Western Europe	307,695	320,852	331,283	7.7%	NA	NA	NA	NA
United States	141,389	151,683	162,409	14.9%	NA	NA	NA	NA

(1) Year 1953 (2) Year 1949 (3) 1953 vs 1946 (4) Includes Central and South America, Mexico and Cuba. Cuba not available for years 1960, 1970 or 1980.

SOURCES: Monthly Bulletin of Statistics, United Nations, Sept. 1955. The Population of South America 1950-1980, United Nations. The Population of Central America (including Mexico), 1950-1980, United Nations.

ANNEX A
TABLE II

VALUE OF U. S. DIRECT INVESTMENTS IN LATIN AMERICA
1949 - 1954

(Millions of Dollars)

Country	1949	1950	1951	1952	1953	1954	Percent Increase 1954 vs 1949
Cuba	$ 619	$ 642	$ 672	$ 686	$ 686	$ 713	15.2%
Mexico	374	414	471	490	514	523	39.8%
Panama	337	348	373	383	407	433	28.5%
South America:							
Argentina	329	356	365	393	406	425	29.2%
Bolivia	10	11	11	11	10	10	----
Brazil	588	644	803	1,013	1,017	1,050	78.6%
Chile	518	540	583	623	657	633	22.2%
Colombia	194	193	207	234	235	263	35.6%
Ecuador	16	14	14	14	17	20	25.0%
Peru	148	145	197	230	268	255	72.3%
Uruguay	51	56	67	71	74	73	43.1%
Venezuela	1,036	993	996	1,184	1,308	1,399	35.0%
Total South America	$2,890	$2,952	$3,243	$3,773	$3,992	$4,128	42.8%
Other Countries	370	379	417	426	435	459	24.1%
Total Latin America (1)	$4,590	$4,735	$5,176	$5,758	$6,034	$6,256	36.3%

(1) Includes Central and South America, Mexico and Caribbean Islands.

SOURCE: Survey of Current Business, August 1955, U.S. Department of Commerce

ANNEX
TABLE

TOTAL FOREIGN TRADE OF SELECTED LATIN AMERICAN COUNTRIES (1)
(In Millions of U. S. Dollars)

Country	1938	1948	1954	Factor of Increase 1954 vs 1938
Cuba	$ 262	$ 1,293	$ 1,068	4.1 times
Mexico	261	1,027	1,362	5.2
Total Central America	146	518	890	6.1
South America				
Argentina	848	2,898	2,173	2.6
Bolivia	63	192	169	2.7
Brazil	584	2,307	3,196	5.5
Chile	234	596	744	3.2
Colombia	170	626	1,329	7.8
Ecuador	22	113	219	10.0
Paraguay	16	55	70	4.4
Peru	126	325	495	3.9
Uruguay	124	378	521	4.2
Venezuela	288	1,854	2,611	9.1
Total South America	$ 2,475	$ 9,344	$11,527	4.7
Total Latin America (2)	$ 3,389	$13,395	$16,803	5.0 times

(1) Includes exports and imports.

(2) Includes Central and South America, Mexico and Caribbean Islands.

SOURCE: International Financial Statistics, International Monetary Fund.

ANNEX A
TABLE IV

FOREIGN TRADE OF SELECTED LATIN AMERICAN COUNTRIES WITH THE U.S. (1)

(In Millions of Dollars)

Country	1938 Amount	1938 Percent of Total Trade	1948 Amount	1948 Percent of Total Trade	1954 Amount	1954 Percent of Total Trade
Cuba	$ 182	69.5%	$ 816	63.1%	$ 830	77.7%
Mexico	111	42.5	767	74.7	958	70.3
South America						
Argentina	127	15.0	560	19.3	225	10.4
Bolivia	6	9.5	85	44.3	78	46.2
Brazil	160	27.4	1,011	43.8	1,137	35.6
Chile	53	22.6	284	47.7	272	36.6
Colombia	90	52.9	433	69.2	849	63.9
Ecuador	6	27.3	50	44.2	109	49.8
Paraguay	2	12.5	10	18.2	12	17.1
Peru	30	23.8	101	31.1	193	39.0
Uruguay	10	8.1	118	31.2	74	14.2
Venezuela	72	25.0	787	42.4	1,035	39.6
Total South America	$ 556	22.5%	$3,439	36.8%	$3,984	34.6%
Total Latin America (2)	$ 949	28.0%	$5,868	43.8%	$6,871	40.9%

(1) Includes imports and exports

(2) Includes Central and South America, Mexico and Caribbean Islands.

SOURCE: Direction of International Trade, Statistical Office of the United Nations, International Monetary Fund, International Bank for Reconstruction and Development.

ANNEX A
TABLE V

INDUSTRIAL PRODUCTION INDICES FOR SELECTED LATIN AMERICAN COUNTRIES
(1948 = 100)

	1946	1950	1954
Mexico	96	118	141
South America			
Argentina	86	100	103
Brazil	93	118	156
Chile	98	104	149
Colombia	87	117	166
Ecuador (1)	NA	100	123 (2)
Peru	91	111	125 (2)
Latin America (3)	87	112	138
United States	87	108	120

(1) 1950 = 100.

(2) 1954 figure estimated by U. N. Statistical Office.

(3) Includes Central and South America, Mexico and Caribbean Islands.

SOURCE: Economic Surveys of Latin America 1953, 1954, United Nations; Monthly Bulletins of Statistics, United Nations, U.N. Statistical Office.

ANNEX A
TABLE VI

GROSS NATIONAL PRODUCT IN SELECTED LATIN AMERICAN COUNTRIES

(In Millions of 1950 Dollars)

Country	Total Gross National Product 1946	1950	1954	Per Capita Gross National Product 1946	1950	1954	% Increase/(Decrease 1954 vs 1946 Total	Per Capita
Cuba	$ 1,797	$ 2,010	$ 1,990	$ 359	$ 372	$ 337	10.7%	(6.1)%
Mexico	4,338	5,375	6,206	190	208	215	43.1	13.2
South America								
Argentina	7,889	8,524	8,628	506	496	460	9.4	(9.1)
Brazil	7,760	10,836	13,884	164	208	249	78.9	51.8
Chile	1,475	1,552	1,900	273	268	295	28.8	8.1
Colombia	1,836	2,383	2,967	178	212	240	61.6	34.8
Peru	791	1,016	1,178	100	119	130	48.9	30.0
Venezuela	1,807	2,388	2,561	412	480	457	41.7	10.9
Total South America	$ 21,558	$ 26,699	$ 31,118	$ 236	$ 267	$ 284	44.3%	20.3%
Total Latin America (1)	$ 30,855	$ 37,710	$ 43,570	$ 219	$ 243	$ 255	41.2%	16.4%
United States	$254,800	$285,100	$326,800	$1,802	$1,880	$2,012	28.3%	11.7%

(1) Includes Central and South America, Mexico and Caribbean Islands.

SOURCE: Economic Surveys of Latin America, 1951-1952, 1953, 1954, United Nations.

ANNEX B

UNITED STATES—LATIN AMERICA AIR TRAVEL

Table I is a summary of passenger travel by air between the United States and Central and South America for the years 1949, 1950 and 1954, 1955. This table shows that United States-Latin American air travelers have increased 91% between 1949 and 1955.

Table II is a summary of passenger travel by *sea and air* for the same years between the United States and Latin America. When read in conjunction with Table I, this Table reveals that the number of travelers by sea between the U. S. and Latin America actually decreased between 1949 and 1955.

Table III shows air travel as a percentage of sea and air travel between the United States and South America, Europe and Asia, for the years 1949, 1950 and 1954, 1955. This table shows that in 1955, 82% of total U.S.-South America passengers traveled by air, whereas only 46% of U.S.-Europe travel was by air and only 47% of U.S.-Asia passengers traveled by air. Air transportation thus plays an overwhelmingly predominant role in the total travel between the United States and South America.

ANNEX B
TABLE I

SUMMARY OF PASSENGER TRAVEL BY AIR BETWEEN THE U. S. AND CENTRAL AND SOUTH AMERICA

Area of Embarkation or Debarkation	Year Ended June 30th 1949	1950	1954	1955	% Increase 1955 vs. 1949
Total Central America	45,501	46,138	77,497	91,476	101.2%
South America					
Argentina	7,700	6,867	10,971	13,627	
Bolivia	12	32	982	1,564	
Brazil	16,157	12,667	23,059	24,820	
Chile	2,754	3,179	3,366	3,922	
Colombia	14,852	16,762	32,679	34,918	
Ecuador	1,620	2,352	6,262	6,731	
Paraguay	NA	NA	265	1,169	
Peru	7,280	7,230	16,513	16,223	
Uruguay	1,054	1,063	1,207	1,677	
Venezuela	36,437	37,178	52,781	63,044	
Other South America	2,314	1,985	1,814	1,568	
Total South America	90,180	89,315	149,899	169,263	87.7%
Total Latin America	135,681	135,453	227,396	260,739	91.3% (1)

(1) 1955 Paraguay passengers subtracted from 1955 total Latin America passengers for purpose of computing percentage increase 1955 over 1949.

SOURCE: Passenger Travel Between the United States and Foreign Countries, U.S. Department of Justice, Immigration and Naturalization Service.

SUMMARY OF PASSENGER TRAVEL BY SEA AND AIR BETWEEN THE U.S. AND CENTRAL AND SOUTH AMERICA

Area of Embarkation or Debarkation	Year Ended June 30th 1949	1950	1954	1955	% Increase 1955 vs. 1949
Total Central America	89,118	89,232	104,922	118,516	33.0%
South America					
Argentina	16,693	13,657	17,928	20,958	
Bolivia	14	316	982	1,564	
Brazil	27,351	26,175	32,074	34,871	
Chile	5,322	5,876	5,672	6,595	
Colombia	18,071	20,493	35,567	37,961	
Ecuador	2,176	3,091	7,067	7,927	
Paraguay	NA	310	265	1,172	
Peru	11,005	9,353	18,345	17,886	
Uruguay	1,764	1,680	1,745	2,138	
Venezuela	50,588	52,376	62,345	73,348	
Other South America	2,887	2,574	1,932	1,799	
Total South America	135,871	135,901	183,922	206,219	51.8%
Total Latin America	224,989	225,133	288,844	324,735	43.8% (1

(1) 1955 Paraguay passengers have been subtracted from 1955 total Latin America passengers for purpose of computing percentage increase 1955 over 1949.

SOURCE: Passenger Travel Between the United States and Foreign Countries, U.S. Department of Justice, Immigration and Naturalization Service.

ANNEX B
TABLE III

AIR TRAVEL AS A PERCENTAGE OF TOTAL AIR AND SEA TRAVEL BETWEEN
THE U. S. AND SOUTH AMERICA, EUROPE AND ASIA

Year Ended June 30th

Between U.S. and	1949			1950			1954			1955		
	Total Travel	Air Travel	Air as % of Total	Total Travel	Air Travel	Air as % of Total	Total Travel	Air Travel	Air as % of Total	Total Travel	Air Travel	Air as % of Total
South America	135,871	90,180	66.4%	135,901	89,315	65.7%	183,922	149,899	81.5%	206,219	169,263	82.1%
Europe	843,446	225,752	30.3%	1,021,004	296,895	29.1%	1,363,315	572,863	42.0%	1,514,041	692,114	45.7%
Asia	88,615	14,257	16.1%	96,279	20,600	21.4%	185,768	74,251	40.0%	221,747	104,834	47.3%
All Countries	1,968,424	1,057,750	53.9%	2,163,276	1,094,628	50.6%	3,024,730	1,852,722	61.3%	3,421,911	2,205,810	64.5%

SOURCE: Passenger Travel Between the United States and Foreign Countries, United States Department of Justice, Immigration and Naturalization Service.

[fol. 1727] C-1

ANNEX C

PANAGRA'S RECORD AS AN AIRLINE

1. Pioneering History
2. International Reputation
3. Growth of Service
4. Identity of the Company

1. *Pioneering History*

Today Panagra with a fleet of DC-7B and DC-6B four-engine aircraft provides twice daily service between New York City and Buenos Aires. This is a distance, including through flight and interchange sectors, of 6,000 miles. The flight takes under one day. The planes carry approximately sixty passengers each at speeds in excess of 300 miles per hour. For the past thirteen years Panagra has operated its routes without a single fatal accident.

Less than a generation ago, in 1929, Panagra had inaugurated the first regular air service over the length of South America. The north-south route was then largely uncharted and relatively dangerous. Tri-motored Ford planes flew over it on a weekly airmail service 4,370 miles long, linking six countries. The flight took more than a week. No other U.S. airline was operating over such great distances at that time. American aviation had barely begun to stretch its wings as it explored a few short routes between Central America and the Caribbean area, and even in the United States the longest route in operation at that time was between Chicago and San Francisco, a distance of 1,943 miles.

C-2

[fol. 1728] Panagra had achieved this continent-spanning operation within the space of one year. Its operations began on September 13, 1928 with a single-engine Fairchild monoplane. The first flight carried four passengers and some mail for 600 miles, taking off from a racetrack in Lima and landing on a soccer field in Talara, Peru.

From origins such as these the present daily, long-ranging, scheduled four-engine service of Panagra grew. There has been a vast and steady improvement in all aspects of the service. Nevertheless, after that first year of phenomenal growth from 600 to 4,370 route miles, Panagra's basic routes have remained virtually the same to this day.

The development and operation of air services over the years by Panagra constituted pioneering in a very real sense. In developing its route Panagra had to overcome many obstacles. Initial operating rights, airmail contracts and other arrangements with various countries had to be negotiated. In addition, the basic ground facilities required for airline operation had to be installed by Panagra itself. At Panagra's expense and effort, new airports had to be built in regions where none existed. The new airports had to be successively improved to meet the changing requirements of the aircraft to be used. Existing airports were enlarged and modernized. Overhaul and maintenance facilities were established and expanded.

Because no weather bureaus existed on its routes to supply reports or forecasts, Panagra established its own meteorological services. Forecast offices staffed by professional meteorologists were placed at key locations. This

C-3

[fol. 1729] was the only complete meteorological reporting and forecasting organization on the South American continent.

A complete aeronautical and communications network was built up and navigational aids were installed to permit night operation. New and modern radio transmitting and receiving units were installed for ground-to-aircraft communications and point-to-point contact between airports in the various countries. Radio beacon facilities for aircraft direction finding were supplied when required.

In 1944 the Company controlled, owned and operated some 75 radio stations in the countries that it served. Panagra owned and operated this vast communications network in its entirety until the late 1940s when governmental agencies of Peru, Colombia and Argentina took

over the Panagra facilities in their countries. Panagra still maintains and operates radio services in the other countries on its route south of Panama.

The sector linking Santiago with Buenos Aires is only 705 miles, but it is also one that involves a flight over some of the most rugged terrain in the world, the towering Andes. In 1928, before there was any air service, the trip between Santiago and Buenos Aires took two days by single track railroad over the Andes. Frequent snowstorms and landslides made regular train service impossible. The sea voyage around the Horn or through the Straits of Magellan took 12 to 15 days. Panagra's operations personnel surveyed this trans-Andean route both from the ground and from the air. In early 1929, mail service was started with single-engined Fairchilds. At

C-4

[fol. 1730] that time there were no radio and no weather reports. The pilot would go up to 14,000 feet above Santiago, take a look at the pass and if the weather was clear he would go through.

By late 1929, regular passenger service across the Andes was inaugurated with tri-motored Ford planes. Panagra had thus accomplished a pioneering job second to none in less than a year after its inception. It had linked the Americas from the United States to Buenos Aires with a direct, regular, scheduled passenger, mail and cargo air service.

Panagra pioneered in a specialized area of national defense as well as in commercial aviation. Just before Pearl Harbor, when war with the Axis was imminent, Panagra, with the assistance of the respective South American governments and at the request of the U. S. State Department, first paralleled and then replaced the local service of German controlled airlines in Ecuador, Peru and Bolivia.

In 1942 when the was accelerated the movement of heavy freight by air, Panagra used two of its planes as veritable "flying boxcars" and inaugurated an all-cargo service from the Canal Zone to Lima. This was the first operation of all-cargo aircraft by a United States airline on certificated routes.

In 1953, in consultation with the manufacturer, Panagra decided to buy radar equipment for its aircraft. By spring of the following year, Panagra operated in regular service a plane equipped with experimental Bendix X-band radar. This was the first commercial radar set to be used in scheduled air transportation and Panagra subsequently became the first U. S. airline to order commercial radar for installation on a fleet basis.

[fol. 1731] C-5

2. *International Reputation*

The South Americans on Panagra's route regard the line as a beneficial part of their national picture. In times of disaster Panagra has always flown to their aid and it is an agent of goodwill among their countries. When a power plant in Ecuador broke down, for example, leaving the city without electricity, Panagra flew in 3,000 pounds of generator parts and the plant was in operation within two days.

Time and again, Panagra planes have been sent on missions of mercy. Sometimes it flew only a vial of life-saving medicine to a town where a man lay dying; sometimes an iron lung to a polio victim; sometimes a shipment of drugs to arrest the spread of an epidemic. One time a Panagra pilot and plane flew in rifles and ammunition to an oil company camp in the interior of Ecuador that had been attacked and besieged by Indians.

There have been other times of national emergency when Panagra actually placed its entire team at the disposal of a stricken nation. This was the case in 1939, when an earthquake literally shook cities to pieces in Chile. Panagra pilots were decorated by the Chilean government for their service. In these emergencies, Panagra airlifts brought tons of medical supplies and food to the stricken places, and flew out the injured and the sick. Victims in the earthquake-susceptible West Coast area were aided by Panagra again in 1942 (Ecuador), 1947 (Peru) and 1949 (Ecuador).

These humanitarian services have stamped the name of Panagra indelibly on the national consciousness of these countries.

C-6

[fol. 1732] In the countries served by Panagra in South America, the company enjoys a position of public trust and acceptance in a degree not normally achieved by airlines elsewhere. During the 1930s the name "Panagra" became almost synonymous with South American commercial aviation itself. In the Aymara Indian language of the Bolivian and Peruvian highlands, the word "Panagra" become part of the language as a word for "airplane". Theatres referred to their balconies as "Panagras". From Argentina to Panama a whole new generation of South American nationals learned modern skills (aircraft and engine mechanics, weather observers, radio operators, etc.) under Panagra's direction. These people continue to form not only the nucleus of Panagra's operation in South America but with the transfer of certain of Panagra's maintenance activities to Miami and with the gradual change from short-haul to long-range operations, many of the employees and the laborers first trained by Panagra are now in key positions in other airline and related industries throughout the continent.

It is not surprising that in an area where air travel itself became so closely identified with an individual company the public has a more direct relationship and a greater familiarity with that company than is customary elsewhere—not only with the company as such, but with its officials and personnel throughout South America.

As a consequence, Panagra enjoys a prestige in the countries it serves oftentimes exceeding that of the national carriers. This is evidenced by the fact that chiefs of state of many of these countries select Panagra as the

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[fol. 1733] carrier to provide them with transportation on tours outside their own countries. In 1951 the president of Chile was carried via Panagra to and throughout the United States on a goodwill tour. In 1953 a Panagra plane, one of the famous El Interamericanos, carried the president of Peru on an epoch-making flight from Lima to Rio de Janeiro and return. In 1955 Panagra carried the president of Bolivia on a state visit to Peru, Ecuador and Colombia. On many other occasions Panagra's regular scheduled flights have carried the chief executives and

other top governmental officials of the Latin American nations.

In October, 1953, in commemorating its 25th Anniversary, Panagra invited thirty-five teenage "junior ambassadors" from the countries on its route to tour the United States in their own Panagra DC-6. The youths were picked personally by the presidents of their respective countries. They were welcomed here from coast to coast. The U.S. State Department enthusiastically supported Panagra's efforts toward international goodwill and a cementing of Pan American sympathies.

Panagra's reputation is not based solely upon special activities. The Latin Americans and the North Americans who travel on the West Coast have developed confidence in the punctuality, safety and standard of Panagra's regular service. These standards of service were developed from Latin American customs independently of competitive considerations and are looked upon by South Americans as services directed especially at them. It is fair to say

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[fol. 1734] that Panagra has gained a greater acceptance and favor among foreign sovereign nations than any other U. S. air carrier operating in international service.

Panagra's record of international good will deserves recognition in the tangible form of route expansion. This reputation, valuable both to Panagra and to the United States, should not be permitted to wither away because Panagra is prevented from meeting the enlarged demands of the area it now serves so well.

3. *Growth of Service*

Panagra's record as an airline can be demonstrated in no more effective way than by indicating the amount of traffic it has generated within its existing route structure. In the year 1955, the airline carried 136,000 fare-paying passengers a total of more than 160 million passenger miles. In 1930, its first full year of operation, Panagra carried but 3,000 passengers less than 1 million passenger miles.

As pointed out in the preceding section, its basic route structure and length of operations have not changed to any substantial degree since that first full year of operation. Thus Panagra's growth is attributable solely to its vigorous development of traffic within its existing route framework. Nevertheless, Panagra's present route is inherently a lean one when compared to L.A.D., or more strikingly, to the North Atlantic or major domestic operations. (See Annex B, Tables I and III, and Annex J, Table II.)

C-9

[fol. 1735] Panagra now needs and deserves to expand beyond its route framework. To a large extent, the new traffic obtained in later years has been passengers whose trips started or ended on another carrier's routes beyond the area of Panagra's present operations. This is evidenced in part by the fact that in 1947 only 24 percent of Panagra's total traffic was inter-line, whereas in 1955, 39 percent was inter-line.

This increase in inter-line traffic and concomitant decrease in intra-line traffic is attributable to three factors: First, the development, and acquisition by Panagra, of modern long-range aircraft capable of efficiently and economically serving long-haul traffic. Second, the loss of cabotage rights in certain countries has forced Panagra to withdraw from local service type operations in favor of national carriers. This occurred in Argentina in 1947 and in Peru in 1949. Third, as a United States certificated carrier Panagra believed its primary obligation to be service to United States-South America passengers rather than to intra-South America passengers and has concentrated on development of this long-haul traffic. This indeed is a requirement under the various bilateral air agreements to which the United States has become a party and under which Panagra operates. In line with this Panagra has abandoned or suspended many of its short routes to remote, less populated areas in South America which could no longer be justified upon strictly traffic and financial considerations.

A further evidence of the change in the type of passenger Panagra is carrying is the increase in the average pas-

C-10

[fol. 1736] senger trip length. In 1938 the average passenger trip length was 600 miles, in 1946 it was 857 miles and in 1955 it was 1,178 miles. 1955 is 38 percent over 1946 and 97 percent over 1938.

Table I at the end of this Annex shows the growth of Panagra's passenger traffic and revenues over the years. 1955 represented an increase in passenger miles operated of 80% over 1946, the first full post-war year. In 1955 the number of passengers carried was 31% over 1946.

Table II shows the historical growth of Panagra's revenue ton miles and available ton miles.

Table III compares Panagra's intra-line and inter-line traffic for the post-war years.

Table IV shows the average trip length of Panagra's passengers since the inception of the airline.

4. *Identity of the Company*

In summary, Panagra has pioneered and established a most difficult route at great expense and effort. It has created an appeal to passengers, and has operated, and with impressive schedule regularity, safely under often difficult circumstances. (It is worthy of note that every day of the year, Panagra's aircraft operating between New York and Buenos Aires fly through a complete change of seasonal weather fronts.) The drive and motivation that spurred this accomplishment on the part of the people actually working in the airline was the prospect of growth. The consolidation of service over Panagra's routes is now, for practical purposes, completed, and the Panagra organization is ~~with~~ legitimate right, looking toward the expansion of the airline into new markets. The gradual evolution of Panagra from short haul to long range operation has already established ~~a~~ strong connection with markets outside its present route structure.

C-11

[fol. 1737] The excellent reputation achieved by Panagra in South America has provided a real basis for an extraordinary degree of pride on the part of Panagra's 1,400 employees, 82% of whom are based in South America.

There is a feeling throughout the organization of responsibility toward the various countries Panagra serves and to the traveling public. Many of these people have been with Panagra since its earliest days and they are determined to maintain the position of leadership Panagra has so long and deservedly enjoyed. A continued ban on the logical expansion of Panagra could only have harmful effects on the morale of pilots and other company employees, particularly when they see other carriers expanding their routes and service in step with the growing industry.

[fol. 1738]

ANNEX C
TABLE I

GROWTH OF PANAGRA'S PASSENGER TRAFFIC AND REVENUES

1929-1955

Year	No. Revenue Passengers Carried (000)	Revenue Passenger Miles (000)	Passenger Revenues (000)
1929[a]	2	338	$ 78
1930	3	985	135
1931	4	1,336	165
1932	7	3,073	287
1933	9	4,052	287
1934	12	5,791	450
1935	13	7,017	581
1936	16	8,505	678
1937	20	10,349	804
1938	14	8,400	697
1939	10	9,281	783
1940	15	14,326	1,203
1941	31	22,796	1,870
1942	51	40,828	3,293
1943	62	53,622	4,275

Year	No. Revenue Passengers Carried (000)	Revenue Passenger Miles (000)	Passenger Revenues (000)
1944	76	63,109	4,965
1945	86	73,339	5,896
1946	104	89,135	7,404
1947	112	106,511	9,642
1948	92	103,663	10,449
1949	93	105,404	10,753
1950	100	103,783	9,574
1951	118	125,747	11,344
1952	122	133,186	12,254
1953	125	136,038	12,331
1954	133	149,099	13,243
1955	136	160,681	14,109[b]
Total	1,566	1,540,394	$137,550

Note: Prior to 1939 statistics were maintained by divisions resulting in some duplication in the number of passengers transiting between divisions. Figures prior to 1947 include non-scheduled operations.

[a] Includes operation of Peruvian Airways Corporation for September through December 1928.

[b] In 1955 cargo revenues amounted to $1,130,000 or 8% of passenger revenues.

SOURCE: Company Records.

[fol. 1739]

ANNEX C
TABLE II

GROWTH OF PANAGRA'S TOTAL TRAFFIC AND CAPACITY

1929-1955

Year	Revenue Ton Miles (000)	Available Ton Miles (000)	Overall Load Factor
1929			
1930			
	NOT AVAILABLE		
1931			
1932			
1933			
1934	744	1,634	45.51%
1935	861	1,825	47.19%
1936	1,052	2,173	48.41%
1937	1,318	2,604	50.61%
1938	1,113	2,432	45.78%
1939	1,228	2,153	57.05%
1940	2,019	3,023	66.79%
1941	2,980	4,721	63.13%
1942	5,386	7,441	72.38%
1943	6,623	8,879	74.59%
1944	7,990	10,031	79.66%
1945	9,740	11,655	83.57%
1946	11,370	16,669	68.21%
1947	13,350	23,905	55.85%
1948	13,634	24,971	54.60%
1949	13,991	27,983	50.00%
1950	13,855	28,803	48.10%
1951	17,103	29,834	57.33%
1952	17,893	31,482	56.83%
1953	18,650	32,911	56.67%
1954	19,649	34,734	56.57%
1955	20,474	36,687	55.81%
Total	201,023	346,550	

Note: Figures prior to 1947 include non-scheduled operations.

SOURCE: Company Records.

[fol. 1740]

ANNEX C
TABLE III

GROWTH OF PANAGRA'S INTERLINE TRAFFIC
Scheduled and Non-Scheduled Operations

1947-1955.

Year Ended December 31st	Intraline Passengers	Interline Passengers	Total Passengers	Interline Passengers As % of Total Passengers
1947	84,892	26,715	111,607	23.9%
1948	72,703	19,596	92,299	21.2%
1949	65,052	27,969	93,021	30.1%
1950[1]	33,649	11,735	45,384	25.9%
1951[2]	63,342	24,900	88,242	28.2%
1952	86,472	35,942	122,414	29.4%
1953	86,221	39,538	125,759	31.4%
1954	86,549	47,267	133,816	35.3%
1955	84,548	52,916	137,464	38.5%

[1] Five months' experience.

[2] Nine months' experience.

SOURCE: Company Records.

[fol. 1741]

ANNEX C
TABLE IV

AVERAGE TRIP LENGTH OF PANAGRA PASSENGERS

(Revenue Passenger Miles per revenue passenger, from Annex C, Table I.)

Year	Miles
1929	169
1930	328
1931	334
1932	439
1933	450
1934	483
1935	540
1936	532
1937	517
1938	600
1939	928
1940	955
1941	735
1942	801
1943	865
1944	830
1945	853
1946	857
1947	951
1948	1,127
1949	1,133
1950	1,038
1951	1,066
1952	1,092
1953	1,088
1954	1,121
1955	1,178

NOTE: Figures prior to 1947 include non-scheduled operations.

SOURCE: Company Records.

[fol. 1742] D-1

ANNEX D

PANAGRA'S EQUIPMENT HISTORY

Panagra's equipment program has been consistently abreast, and oftentimes ahead, of the rest of the United States airline industry. Since 1929 Panagra service has evolved through every state of the commercial aircraft art.

Panagra has the unique record of having acquired and operated every commercial plane produced in quantity by the Douglas Aircraft Company. It placed DC-2s in operation in 1934, the first year of their appearance. It acquired DC-3s in 1937, within a year after that airplane was first manufactured. It operated DC-4s during the transitional period immediately following the war and in 1947 placed in operation the 11th, 19th and 23rd DC-6 aircraft to be delivered to the airlines. In 1951 Panagra acquired DC-6Bs and in 1955 DC-7Bs, being the first international carrier to order DC-7 type equipment. Finally, in early 1960 Panagra will begin operating the Douglas Company's newest plane, the DC-8 jet.

Prior to the operation of Douglas aircraft, Panagra experimented with a number of different types of planes. These planes were at the time Panagra placed them in service the newest developments in common carrier transportation. Panagra began its operations with the now historic Fairchild monoplane, carrying four passengers, The plane that actually performed Panagra's first sched-

D-2

[fol. 1743] uled service has been turned over to the Smithsonian Institution.

Panagra's first fleet plane was the larger 420 hp, 110 mph Fairchild which was operated from Talara, Peru, south to Santiago, Chile, during 192?. During the 1930-1935 period Panagra operated the famous Ford trimotor planes. These planes carried twelve passengers and permitted Panagra to offer the first scheduled service over the Andes from Santiago to Buenos Aires. A total of nine of these planes was purchased by Panagra and they became a

familiar sight over the West Coast countries. During this same developmental period of airline operation, Panagra operated Sikorsky amphibian planes on its Northern Division from Peru to the Canal Zone. Panagra acquired twelve of these amphibians in all. Meanwhile, during the early 1930s Panagra experimented with various other types of aircraft, including the Loening amphibian, the Lockhead Vega, the Curtiss Falcon and Travelair, and the Consolidated Commodore.

With the acquisition of the Douglas Aircraft Company's revolutionary DC-2, Panagra was able to schedule regular operation of the "Diagonal" route across Bolivia from Lima to Buenos Aires. It was in this same year that American Airlines began operating the DC-2 in the continental United States, and the world had its first glimpse of modern air transportation as it has become known today. Panagra was in on the ground floor.

—D-3—

[fol. 1744] During the later 1930s and over the war years, the backbone of Panagra's fleet was the DC-3. These planes carried twenty-one passengers at a speed of 180 miles per hour over a range of 1,100 miles. Four DC-3A planes, a modernized higher powered model, are still in operation on Panagra's routes.

In September 1944 Panagra contracted with Douglas for three pressurized DC-6 aircraft to be delivered after the termination of hostilities. In recognition of Panagra's participation in the pre-war DC-4 development contract, Panagra was allotted favored early delivery positions on the 52 passenger DC-6s. In all, six of these aircraft were acquired and put into service from Buenos Aires through Balboa and, under the Through Flight Agreement with Pan American World Airways, to Miami. As the DC-6s were put into first class service, the DC-4s operated by Panagra were switched over to tourist class.

During the first half of 1952 Panagra took delivery of DC-6B aircraft which replaced the DC-4s in long haul tourist service. Panagra now has in operation five 70 passenger

DC-6B aircraft, four of which are owned and one of which is chartered from another airline. In September 1955, under an interchange agreement with National Airlines, the DC-6Bs started operating into New York.

In 1953 Panagra learned from the Douglas Aircraft Company and the Wright Aeronautical Division of pro-

—D-4—

[fol. 1745] posed engineering changes in the DC-7 plane and the availability of the more powerful Wright Cyclone engine, model DA4. Prior to this time the DC-7 aircraft being operated on domestic transcontinental routes did not meet Panagra's international performance requirements. Panagra therefore entered into negotiations with the Douglas Company and in September 1953 sent a telegram ordering five modified DC-7 aircraft, thus becoming the first international carrier to order this equipment. These aircraft, with the modifications insisted upon by Panagra, later became known as the DC-7B. Five DC-7Bs were delivered to Panagra and placed in first class service between the United States and Buenos Aires during 1955. They replaced the DC-6s, two of which have been sold and the remaining four chartered to another airline. A sixth DC-7B will be delivered to Panagra in July 1957.

In December 1955 Panagra took the long step into the age of jet transportation. Its board of directors authorized the acquisition by Panagra of four Douglas DC-8 jet transports, with an option of two additional DC-8s. These planes will be specially designed for long haul international operation and will be powered by the large J-75 Pratt and Whitney turbine engines. The first of these aircraft will be placed in service in early 1960.

[fol. 1746] —E-1—

ANNEX E

Certification of Braniff International Airways in Latin America

In the Latin American Air Service Case, 6 C.A.B. 857 (1946), Braniff Airways was awarded extensive routes in South America directly competitive with those of Panagra. Braniff began operations on these routes in June of 1948. In the past year, 1955, Braniff operated an average of 6,898 international route miles, compared with 5,447 operated by Panagra.

Braniff's certificated routes connect nine capitals of the Latin American republics. In addition to obtaining rights to serve all but one (Santiago) of the six national capitals now served by Panagra, Braniff was granted rights into Rio de Janeiro, Asuncion, Bogota and Havana.

Table I shows the population of cities served by Braniff International and Panagra. Braniff is shown to serve 37% more population than Panagra.

Table II compares Panagra revenues with Braniff revenues since the first year of Braniff's international operations. Between June 1948 and year-end 1955, Braniff's international operations received 37 million dollars in passenger and cargo revenues, a considerable part of which otherwise would have accrued to Panagra. During 1955 Braniff generated revenues equal to 40% of Panagra's total revenues.

[fol. 1747] —E-2—

Despite this substantial diversion by a competitor introduced into Panagra's historical markets, Panagra has not been placed in a position to compete for additional traffic in new markets. It seems equitable that if a competitor is placed in Panagra's home territory, Panagra in turn be permitted to expand its route mileage into new areas so as to strengthen competition everywhere.

Braniff's extensive domestic system provides a strong base for its international route structure. Panagra, without the support of the rich domestic air traffic market, is

placed at a severe disadvantage both inherently and competitively. This will be especially true in the event that subsidy for international airlines is withdrawn.

Table III is an indication of the relative earning power of Panagra and the Braniff System including its domestic operation. In the year 1955 Braniff's net operating profit before subsidy amounted to 5.8% of its invested capital, in air transportation, even after absorbing substantial losses on its international operation. Panagra, on the other hand, showed a net operating profit of only 3.7%.

Table IV shows the increase in Braniff System's weighted average route miles operated. Including Braniff's international routes acquired in 1948, the routes of Mid-Continent Airlines acquired in 1952, and the new domestic routes acquired in 1955, Braniff route mileage is shown to have expanded an estimated 335% since 1946.

This increase in route mileage has generated new traffic and revenue for Braniff at a pace far exceeding that possible for Panagra within its unchanged route structure.

—E-3—

[fol. 1748] Table V compares the revenue passenger miles operated by Panagra with those operated by the Braniff system in the years 1949 through 1955. Whereas in 1949 Panagra's passenger traffic amounted to 46% of Braniff's system, by 1955 this percentage decreased to 24%

Table VI compares the revenue ton miles carried by Panagra and Braniff System. In 1949 Panagra is shown to have carried traffic amounting to 56% of the Braniff system. By 1955 Panagra's percentage had decreased to 28%.

Table VII compares the operating revenues exclusive of mail pay for Braniff System and Panagra. Panagra's commercial revenues are shown to have amounted to 90% of Braniff System commercial revenues in 1949 but only 39% in 1955.

ANNEX E
TABLE I

Population of Cities on the routes of Panagra and Braniff International

Cities Served	Population	Number	Served by Panagra	Number	Served by Braniff
Buenos Aires, Argentina	3,000,371	1.	3,000,371*	1.	3,000,371*
Rio de Janeiro, Brazil	2,335,931			2.	2,335,931*
Sao Paulo, Brazil	2,041,716			3.	2,041,716
Santiago, Chile	952,075	2.	952,075*		
Havana, Cuba	659,883			4.	659,883*
Houston, Texas	596,163			5.	596,163
Lima, Peru	520,528	3.	520,528*	6.	520,528*
La Paz, Bolivia	321,073	4.	321,073*	7.	321,073*
Guayaquil, Ecuador	262,624	5.	262,624	8.	262,624
Miami, Florida	249,276			9.	249,276
Panama City, Colon, and Canal Zone	232,900	6.	232,900*	10.	232,900*
Quito, Ecuador	212,873	7.	212,873*		
Asuncion, Paraguay	204,085			11.	204,085*
Cali, Colombia	88,366	8.	88,366		
Cochabamba, Bolivia	80,795	9.	80,795		
Oruro, Bolivia	62,975	10.	62,975		
Arequipa, Peru	60,725	11.	60,725		
Antofagasta, Chile	49,106	12.	49,106		
Cuenca, Ecuador	46,428	13.	46,428		
Santa Cruz, Bolivia	34,837	14.	34,837		
Manta, Ecuador	19,021	15.	19,021		
Arica, Chile	14,064	16.	14,064		
Esmeraldas, Ecuador	14,046	17.	14,046		
Talara, Peru	12,985	18.	12,985		
Robore, Bolivia	3,715	19.	3,715		
San Jose, Bolivia	1,933	20.	1,933		
San Ignacio, Bolivia	1,819	21.	1,819		
Puerto Suarez, Bolivia	1,159	22.	1,159		
Concepcion, Bolivia	1,056	23.	1,056		

La Paz, Bolivia	321,073	4.	321,073*	7.	321,073*
Guayaquil, Ecuador	262,624	5.	262,624	8.	262,624
Miami, Florida	249,276			9.	249,276
Panama City, Colon, and Canal Zone	232,900	6.	232,900*	10.	232,900*
Quito, Ecuador	212,873	7.	212,873*		
Asuncion, Paraguay	204,085			11.	204,085*
Cali, Colombia	88,366	8.	88,366		
Cochabamba, Bolivia	80,795	9.	80,795		
Oruro, Bolivia	62,975	10.	62,975		
Arequipa, Peru	60,725	11.	60,725		
Antofagasta, Chile	49,106	12.	49,106		
Cuenca, Ecuador	46,428	13.	46,428		
Santa Cruz, Bolivia	34,837	14.	34,837		
Manta, Ecuador	19,021	15.	19,021		
Arica, Chile	14,064	16.	14,064		
Esmeraldas, Ecuador	14,046	17.	14,046		
Talara, Peru	12,985	18.	12,985		
Robore, Bolivia	3,715	19.	3,715		
San Jose, Bolivia	1,933	20.	1,933		
San Ignacio, Bolivia	1,819	21.	1,819		
Puerto Suarez, Bolivia	1,159	22.	1,159		
Concepcion, Bolivia	1,056	23.	1,056		
Total Population	12,082,528		5,995,474		10,424,550
% of Total Population Served			49.6%		86.3%
% of Total Population Served by One but Not the Other			13.7%		50.4%

* Indicates National Capital

Note: In addition to the above cities actually served, Panagra and Braniff International are authorized to serve the following national capitals:

Panagra		Braniff International	
Montevideo	708,233	Bogota	325,658
		Quito	212,873

SOURCE: Hammond's Ambassador World Atlas, C.S. Hammond & Co., 1955.

PASSENGER AND CARGO REVENUES

PANAGRA AND BRANIFF INTERNATIONAL

1948 - 1955

Year Ended December 31st	Panagra Passenger (000)	Panagra Cargo (000)	Panagra Total (000)	Braniff International Passenger (000)	Braniff International Cargo (000)	Braniff International Total (000)	Braniff Total as % of Panagra Total
1948	$ 10,449	$ 999	$ 11,448	$ 525(1)	$ 15(1)	$ 540(1)	4.7%
1949	10,753	944	11,697	2,233	94	2,327	19.9%
1950	9,574	725	10,299	3,318	254	3,572	34.1%
1951	11,344	1,056	12,400	4,895	368	5,263	42.4%
1952	12,254	1,095	13,349	6,058	364	6,422	48.1%
1953	12,330	1,238	13,568	5,756	383	6,139	45.2%
1954	13,244	1,109	14,353	6,011	442	6,453	45.0%
1955	14,109	1,130	15,239	5,666	400	6,066	39.8%
	$ 94,057	$8,296	$102,353	$34,462	$2,320	$36,782	35.9%

(1) June 4, 1948 to December 31, 1948.

SOURCE: Certificated Air Carrier Financial Data, Civil Aeronautics Board
Office of Carrier Accounts and Statistics
Comparative Statement of Air Carriers Profit and Loss and Earned Surplus,
Air Transport Association of America.

[fol. 1751]

ANNEX E
TABLE III

Comparison of Net Operating Profit as Percent of Transport Investment

Panagra vs. Braniff System

Year Ended December 31, 1955

	Braniff			
	Domestic (000)	International (000)	System (000)	Panagra (000)
Net Operating Profit Including Subsidy	$ 1,876	$ (237)	$ 1,639	$ 608
Invested Capital Assigned to Transport Operations	$20,667	$ 4,505	$25,172	$15,393
Net Operating Profit as % of Transport Investment	9.1%	(5.3%)	6.5%	3.9%
Subsidy Included in Net Operating Profit Above	—	$ 378	$ 378	$ 59
Net Operating Profit Excluding Subsidy	$ 1,876	$ (418)	$ 1,458	$ 571
Net Operating Profit (Excluding Subsidy) as % of Transport Investment	9.1%	(9.3%)	5.8%	3.7%

Source: *Quarterly Report of Air Carrier Operating Factors*, Civil Aeronautics Board, December 1955.

[fol. 1752]

ANNEX E
TABLE IV

Increase of Braniff System's

Weighted Average Route Miles Operated

1955 vs. 1946

	12 Months Ended December 31, 1946	12 Months Ended December 31, 1955	% Increase/ (Decrease) 1955 vs. 1946
Braniff Airways Inc.			
Domestic	3,099	5,558[1]	79.3
International	—	6,898	—
New Domestic Routes	—	1,035[2]	—
System Total	3,099	13,491	335.3%

[1] Includes Mid-Continent Airlines. M.C.A. represented a 68% addition to Braniff's route miles operated in 1946.

[2] Estimated increased route mileage resulting from recent C.A.B. decisions. See Annex H, Table II.

SOURCE: *Certificated Air Carrier Traffic Statistics*, Civil Aeronautics Board Office of Carrier Accounts and Statistics.

[fol. 1753]

ANNEX E
TABLE V

Comparison of Revenue Passenger Miles[1]

Panagra vs. Braniff System

1949–1955

Year Ended December 31st	Braniff Domestic	Braniff International	Total Braniff System	Panagra	Panagra as % of Total Braniff System
	(000)	(000)	(000)	(000)	
1949	199,628	29,020	228,648	105,968	46.3%
1950	218,578	43,339	261,917	104,220	39.8%
1951	271,027	64,320	335,347	127,784	38.1%
1952	344,807	80,323	425,130	133,288	31.4%
1953	469,069	76,670	545,739	137,395	25.2%
1954	530,700	80,520	611,220	150,614	24.6%
1955	608,699	75,580	684,279	164,329	24.0%

[1] Includes Scheduled and Non-Scheduled Operations.

SOURCE: *Summary of U.S. Airline Traffic*, American Aviation Publications.

[fol. 1754]

ANNEX E
TABLE VI

Comparison of Revenue Ton Miles[1]

Panagra vs. Braniff System

1949–1955

Year Ended December 31st	Braniff Domestic	Braniff International	Total Braniff System	Panagra	Panagra as % of Total Braniff System
	(000)	(000)	(000)	(000)	
1949	22,233	3,084	25,317	14,124	55.8%
1950	25,262	5,251	30,513	13,985	45.8%
1951	30,483	8,048	38,531	17,330	45.0%
1952	38,027	10,631	48,658	17,911	36.8%
1953	50,662	10,397	61,059	18,820	30.8
1954	56,709	10,729	67,438	19,864	29.5%
1955	64,929	9,906	74,835	20,910	27.9%

[1] Includes Scheduled and Non-Scheduled Operations.

SOURCE: *Summary of U.S. Airline Traffic*, American Aviation Publications.

[fol. 1755]

ANNEX E
TABLE VII

Comparison of Commercial Operating Revenues[1]

Panagra vs. Braniff System

1949–1955

Year Ended December 31st	Braniff Domestic	Braniff International	Total Braniff System	Panagra	Panagra as % of Total Braniff System
	(000)	(000)	(000)	(000)	
1949	$12,206	$2,423	$14,629	$13,135	89.8%
1950	13,509	3,726	17,235	11,568	67.1%
1951	16,443	5,524	21,967	14,036	63.9%
1952	21,925	6,745	28,670	14,808	51.6%
1953	29,098	6,535	35,633	15,196	42.6%
1954	33,251	6,959	40,210	16,215	40.3%
1955	38,628	6,887	45,515	17,587	38.6%

[1] Total operating revenues, less U.S. mail pay including federal subsidy, for scheduled and non-scheduled operations.

SOURCE: *Summary of U.S. Airline Revenues and Expenses*, American Aviation Publications.

[fol. 1756] —F-1—

ANNEX F

ROUTE EXPANSION IN LATIN AMERICA OF PAN AMERICAN WORLD AIRWAYS AND PAN AMERICAN'S FOREIGN AIR CARRIER AFFILIATES

Table I compares the 10% increase in weighted average route miles operated by Pan American's Latin American Division with the 11% decrease for Panagra between 1946 and 1955. (Comparison of the traffic characteristics of Panagra's and LAD's routes is shown in Annex J, Table II.)

Table II shows the 160% average increase in unduplicated route miles for Pan American's various foreign affiliate air carriers in Latin America between the year 1946 and the year 1955. As shown, Pan American has 11 such affiliates. This table indicates that, although Panagra has been prevented from expanding its route mileage, Pan American's foreign affiliate carriers have been able to extend their routes and gain entry into new markets. The table also shows the changes in Pan American's stock ownership during this period of its affiliates' route expansion. Pan American's stock interest in most cases decreased. For example, Avianca, in which Pan American's stock interest decreased from 48% in 1946 to 38% in 1955, added 24,142 unduplicated route miles during that period. Panair do Brasil, in which Pan American's stock interest decreased from 58% to 48%, added 11,617 unduplicated route miles. In contrast, the route mileage operated by Panagra, in which Pan American's stock interest remained constant at 50%, decreased by 644 miles.

—F-2—

[fol. 1757] Table III shows *eight* route sectors on which Pan American's Latin American Division has direct competition with Pan American's foreign affiliate air carriers. Point-to-point competition exists on such major sectors as Buenos Aires—Rio de Janeiro and Caracas—Miami. A total of 7,050 route miles exists on which LAD is in direct competition with foreign affiliates of its parent.

[fol. 1758]

ANNEX F
TABLE I

COMPARISON OF PAN AMERICAN AND PANAGRA

Weighted Average Route Miles Operated—1955 vs. 1946

	12 Months Ended Dec. 31, 1946	12 Months Ended Dec. 31, 1955	Percentage Increase/ (Decrease) 1955 vs. 1946
Pan American System	34,466	63,155[1]	83.2%
Pan American LAD	13,690	15,009	9.6%
Panagra	6,097	5,453	(10.6)%

[1] Includes American Overseas Airlines. AOA represented a 16% addition to the Pan American system route miles operated in 1946.

SOURCE: *Certificated Air Carrier Traffic Statistics,* Civil Aeronautics Board, Office of Carrier Accounts and Statistics.

ANNEX
TABLE

ROUTE EXPANSION OF PAN AMERICAN'S AIRLINE AFFILIATES (EXCLUDING PANAGRA)
IN CENTRAL AND SOUTH AMERICA
1946 vs. 1955

PAA Central - South American Airline Affiliates	Unduplicated Route Miles as of end of 1946	Unduplicated Route Miles as of end of 1955	Increase/(Decrease) Unduplicated Route Miles 1955 vs. 1946 Miles	Percent	Percentage of Common Stock Owned by PAA 12/31/46	Percentage of Common Stock Owned by PAA 12/6/55	Increase/(Decrease in Percentage Points of Common Stock Ownership 1955 vs. 1946
Aerovias Nacionales de Colombia (AVIANCA)	6,682	30,824	24,142	361.3%	47.67%	38.13%	(9.54)
Panair do Brasil (PAB)	16,050	27,667	11,617	72.4%	58.00%	48.00%	(10.00)
Compania Cubana de Aviacion (CUBANA)	1,095	9,934	8,839	807.2%	52.00%	(3)	---
Aeronaves de Mexico	2,728	6,429	3,701	135.7%	40.00%	21.13%	(18.87)
Lineas Aereas Costarricenses (LACSA)	369 (1)	3,851	3,482	943.6%	40.00%	33.33%	(6.67)
Servicio Aereo de Honduras (SAHSA)	224	2,644	2,420	1,080.4%	40.00%	40.00%	---
Aerovias Venezolanas (AVENSA)	1,990 (1)	3,872	1,882	94.6%	37.05%	30.00%	(7.05)
Compania Dominicana de Aviacion, C por A (CDA)	383	1,686	1,303	340.2%	40.00%	40.00%	---
Compania Mexicana de Aviacion (CMA)	4,919 (1)	5,636	717	14.6%	41.00%	41.96%	0.96
Compania Panamena de Aviacion (COPA)	476 (1)	707	231	48.5%	33.00%	33.00%	---
Lineas Aereas de Nicaragua (LA NICA)	1,140	1,184	44	3.9%	40.00%	20.00%	(20.00)
Uraba, Medellin and Central Airways, Inc. (UMCA)	348	326 (2)	(22) (2)	(6.3%)	66.67%	100.00%	33.33
TOTAL MILES	36,404	94,760	58,356	160.3%			
Average Miles and Ownership per Carrier	3,034	7,897	4,863	160.3%	44.62%	37.12%	(7.50)

(1) End of 1947
(2) 1955 figure taken from Calculation of Great Circle Distance issued by Traffic Director, International Air Transport Association, International Aviation Building, Montreal, 5th revised page M-8, Correction #1202. UMCA's route has remained essentially unchanged, the decrease of twenty-two miles being accounted for by a move to a new airport in Panama and more direct routing made possible by new equipment.
(3) Remaining 20% interest sold during 1954. See Havana - New York Foreign Air Carrier Permit Case, CAB Orders E-5610 (1951) and E-6971 (1952).

SOURCES: American Aviation World-Wide Directories, American Aviation Publications, Inc., Fall-Winter 1946-7, 1947-8, 1955-6.
Schedule A-7, Form 41, submitted by Pan American World Airways, Inc. to the C.A.B. as of December 31, 1946.
Application of Roger Lewis, Pan American World Airways, Inc. and Pan American-Grace Airways, Inc. to the C.A.B. for approval of interlocking relationships, dated January 6, 1956.

[fol. 1760]

ANNEX F
TABLE III

EIGHT ROUTE SECTORS ON WHICH PAN AMERICAN (LAD) HAS DIRECT COMPETITION WITH AFFILIATE AIR CARRIERS *

AFFILIATE	ROUTE	ROUTE MILES
PAB	Buenos Aires—Rio de Janeiro	1,275
AVIANCA	Barranquilla—Miami	1,091
	Balboa—Medellin (UMCA)	326
LACSA	Balboa—San Jose—Mexico City	1,530
	Havana—Miami	235
AVENSA	Caracas—Maracaibo (Barranquilla)—Jamaica—Miami	1,502
CDA	Ciudad Trujillo—Port au Prince—Miami	836
	Ciudad Trujillo—San Juan	255
	TOTAL	7,050

[fol. 1761]

—G-1—

ANNEX G

PANAGRA'S FOREIGN AIR COMPETITION

Table I shows the percentage of air travelers to and from the United States traveling via American flag and foreign carriers. This table shows that in 1955, 35% of United States-South America air travelers were carried by foreign flag airlines. Foreign air carrier operations are thus shown to be a substantial factor in considering the competitive situation in U. S.-South American air traffic.

Map II shows the present and proposed routes of the 28 foreign flag airlines competing with Panagra. (Three of these competitors are affiliates of Pan American World Airways.) The test of competition with Panagra is whether the operated, or proposed, routes divert, or would divert, revenues from Panagra's present services.

As shown on the map, the LAN operation Montevideo-Buenos Aires-Santiago-Lima in conjunction with the TAN operation Lima-Miami offer considerable direct competition to Panagra. Aereolinas Argentinas competes Santiago-Buenos Aires and for the Buenos Aires-New York market by means of its east coast route. Canadian Pacific diverts considerable traffic from Panagra by its Lima-Mexico City-Vancouver-Orient service, and has announced immediate plans for entering Buenos Aires from Lima. KLM offers strong competition from Lima through Guayaquil to Balboa with its service that extends on to Curacao, New York

—G-2—

[fol. 1762] and Europe. Avianca competes with Panagra between Quito and Cali, carrying passengers on to Bogota and New York. LAV has a strong operation between Lima, Balboa and Caracas.

All but one of these seven carriers operate modern four-engine equipment in direct competition with Panagra. The seventh, TAN, is a non-IATA carrier and has a serious competitive impact upon Panagra by reason of its cut rates.

PERCENTAGE OF AIR TRAVELERS TO AND FROM THE U. S. TRAVELING VIA U.S. AND FOREIGN CARRIERS

Area of Embarkation or Debarkation	Year Ended June 30th							
	1955		1954		1950		1946	
	U. S.	Foreign	U. S.	Foreign	U. S.	Foreign	U. S.	Foreign
Total All Countries	68.3%	31.7%	66.4%	33.6%	74.7%	25.3%	86.7%	13.3%
South America	65.0%	35.0%	63.5%	36.5%	N O T	A V A I L A B L E		
Europe	61.0%	39.0%	56.2%	43.8%				
Asia	87.8%	12.2%	84.8%	15.2%				

SOURCE: Passenger Travel Between the U.S. and Foreign Countries, U. S. Department of Justice, Immigration and Naturalization Service.

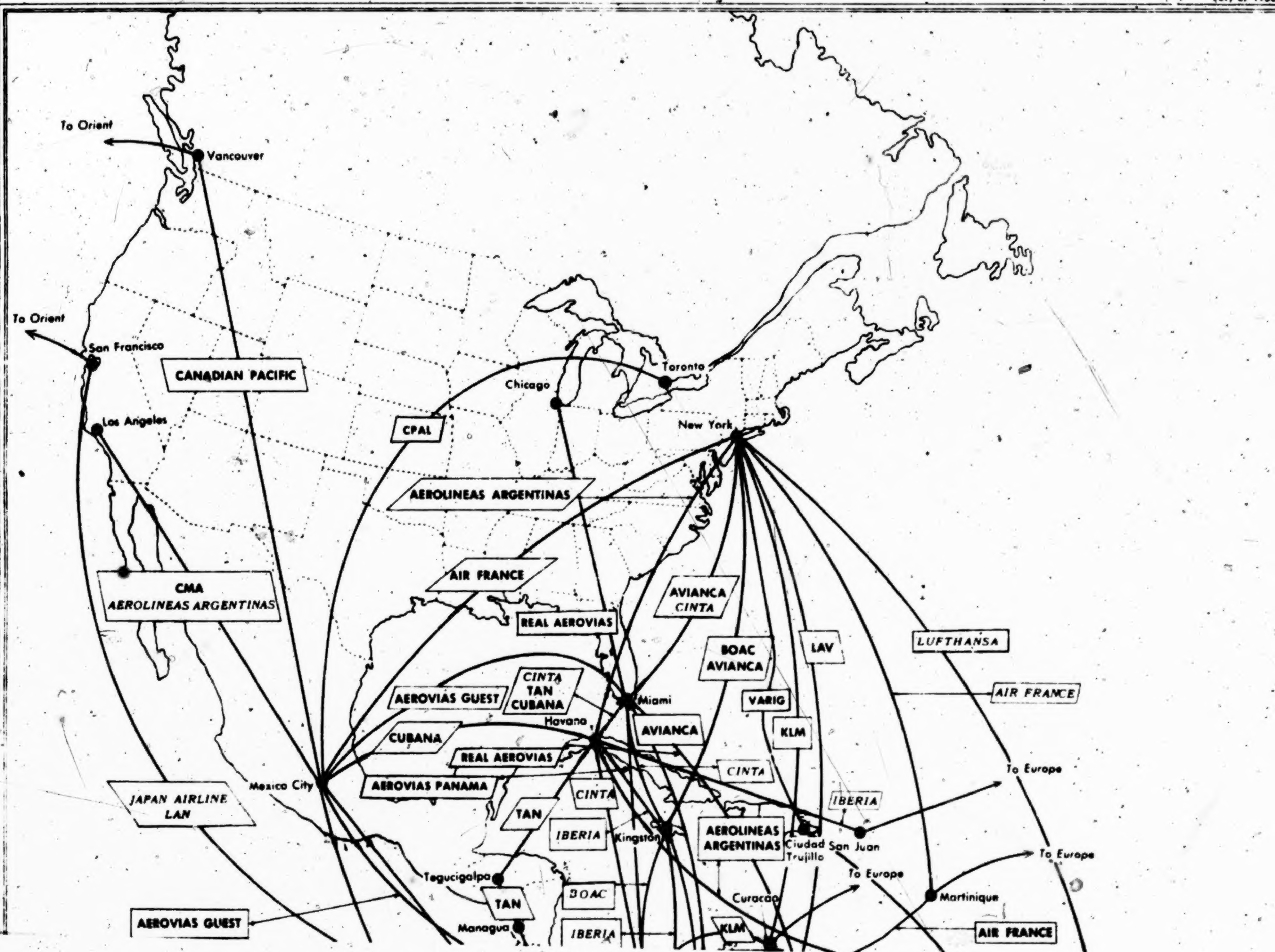
ANNEX G
MAP II

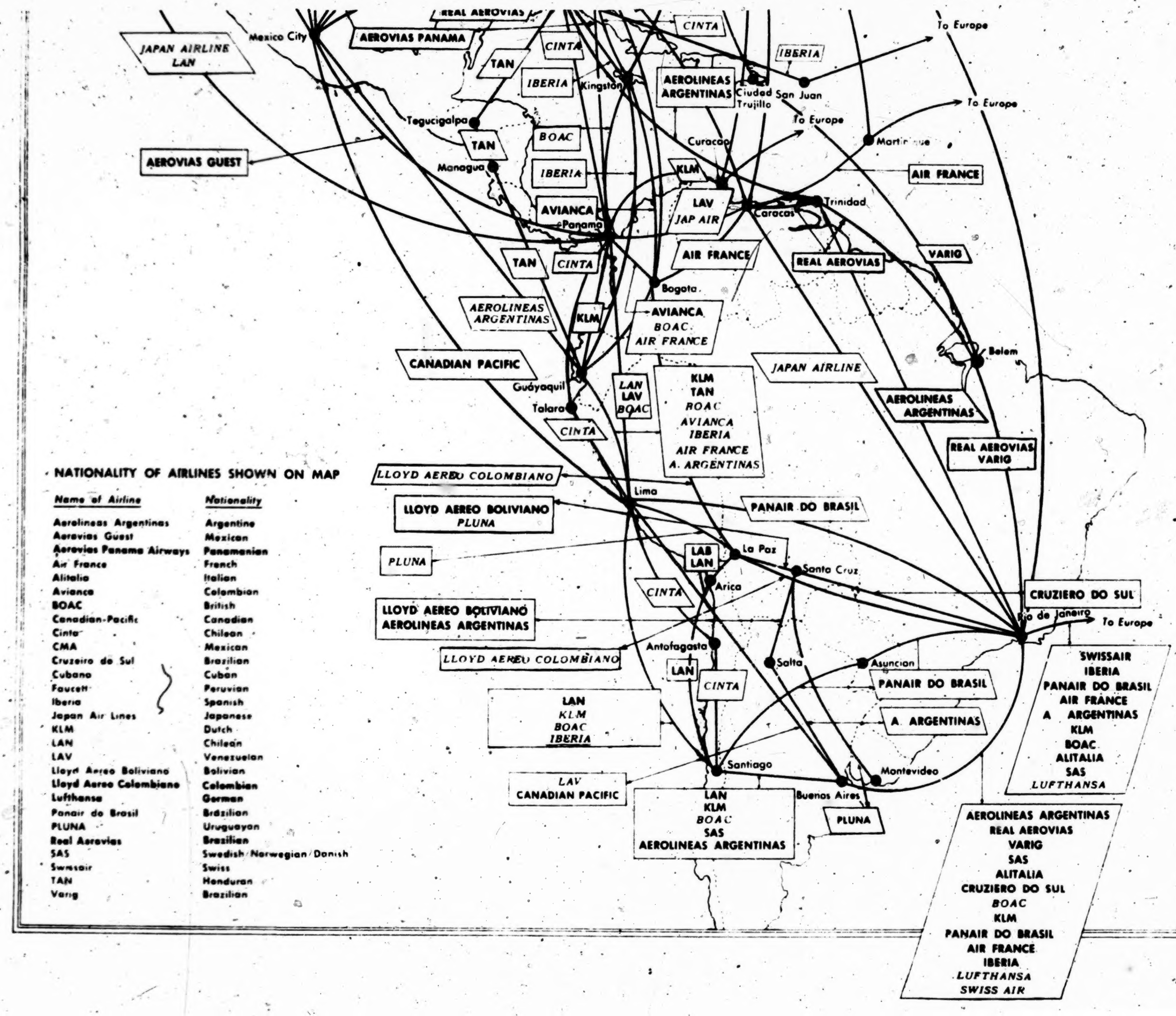
FOREIGN FLAG AIRLINES COMPETING WITH PANAGRA

ROUTES PRESENTLY OPERATED IN BOLD FACE

PROJECTED ROUTES IN ITALICS

July 27 1956





NATIONALITY OF AIRLINES SHOWN ON MAP

Name of Airline	*Nationality*
Aerolineas Argentinas	Argentine
Aerovias Guest	Mexican
Aerovias Panama Airways	Panamanian
Air France	French
Alitalia	Italian
Avianca	Colombian
BOAC	British
Canadian-Pacific	Canadian
Cinta	Chilean
CMA	Mexican
Cruzeiro do Sul	Brazilian
Cubano	Cuban
Faucett	Peruvian
Iberia	Spanish
Japan Air Lines	Japanese
KLM	Dutch
LAN	Chilean
LAV	Venezuelan
Lloyd Aereo Boliviano	Bolivian
Lloyd Aereo Colombiano	Colombian
Lufthansa	German
Panair do Brasil	Brazilian
PLUNA	Uruguayan
Real Aerovias	Brazilian
SAS	Swedish/Norwegian/Danish
Swissair	Swiss
TAN	Honduran
Varig	Brazilian

ANNEX H

ROUTE EXPANSION OF U.S. CERTIFICATED AIR CARRIER INDUSTRY

Table 1 compares the 11% decrease, between 1946 and 1955, in Panagra's weighted average route miles operated with the 112% increase in route mileage of all U.S. international carriers, the 14% increase for all domestic trunk carriers and the 89% increase for the certificated industry total.

It is apparent that Panagra has lagged far behind the industry, and especially behind other U.S. international carriers.

Table II shows the estimated growth in weighted average route miles operated for certain medium sized U.S. domestic carriers as a result of recent route awards by the C.A.B. These increases are not reflected in Table I. The additional increase in route mileage ranges from an estimated 13% for Capital to 92% for Northeast. It should be noted that of these carriers only Continental and Northeast are smaller than Panagra in terms of either traffic or revenues:

	Scheduled Operations for Year Ended December 31, 1955	
	Revenue Passenger Miles	Gross Operating Revenues
Delta (domestic)	952,601,000	$57,647,000
Capital	792,095,000	50,211,000
Braniff (domestic)	604,674,000	39,300,000
Continental	221,223,000	16,022,000
Panagra	160,681,000	17,772,000
Northeast	116,450,000	10,098,000

ANNEX H
TABLE II

ESTIMATED EFFECT OF RECENT C.A.B. DECISIONS ON ROUTE MILEAGES OF CERTAIN MEDIUM SIZED U. S. DOMESTIC CARRIERS

	Estimated Mileage of New Routes	Weighted Average Route Miles Operated December 31, 1955	Estimated % Increase in Route Miles Operated
NORTHEAST			
New York/Philadelphia	101		
Philadelphia/Baltimore	91		
Baltimore/Washington	30		
Washington/Jacksonville	640		
Jacksonville/Tampa	178		
Tampa/St. Petersburg-Clearwater	11		
St. Petersburg-Clearwater/Miami	209		
	1260	1,367	92.2%
CONTINENTAL			
Denver/Los Angeles	849		
Kansas City/Chicago	405		
Total	1,254	3,137	40.0%
DELTA			
Beaumont/New Orleans	226		
Atlanta/Charlotte	227		
Charlotte/Washington	331		
Washington/Baltimore	66		
Baltimore/Philadelphia	91		
Philadelphia/New York	80		
Total	1,021	4,862	21.0%
BRANIFF			
Memphis/Nashville	200		
Nashville/Chattanooga	112		
Chattanooga/Washington	523		
Washington/New York	200		
Total	1,035	5,558	18.6%
CAPITAL			
Buffalo/Detroit	250		
Atlanta/Birmingham	134		
New York/Philadelphia	80		
Philadelphia/Baltimore	91		
Total	555	4,207	13.2%

SOURCE: C.A.B. Order E-9537 (New York-Chicago Service Case)
E-9735 (Denver Service Case)
E-9758) (Southwest-Northeast Service Case)
E-9915)
E-10645 (New York-Florida Case)
Civil Aeronautics Board Offical Airline Route and Mileage Manual, Air Traffic and Service Corporation.
Certified Air Carrier Traffic Statistics, Civil Aeronautics Board.

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ANNEX J

PANAGRA'S ROUTE CHARACTERISTICS

Table I compares Panagra's recent ground and indirect expense ratios with those of Braniff International, Pan American L.A.D., and the average for all U.S. flag international air carriers. The table shows that Panagra's ratios in operating its route are higher than those of the rest of the industry.

Table II compares the traffic characteristics of the routes of Panagra, L.A.D. and Braniff. These comparisons indicate that Panagra has a long, relatively lean route with a high number of stations on it.

In Table I, Panagra's ground and indirect unit expenses are shown to be higher than those of Braniff, although Braniff operates a comparable routing. As shown in Table II, this is in part a result of the larger number of passenger stations maintained by Panagra on its route—23 compared to 11 maintained by Braniff. Panagra thus has only 237 route miles per station, compared to 627 route miles per station for Braniff. The same long haul factor is also reflected in Braniff's longer average passenger trip length, 2,163 miles for the year ended September 30, 1955 compared to 1,178 miles for Panagra. Another factor is that Braniff is able to allocate administrative and other overhead expenses between both the international and domestic operations, thus reducing the impact of such costs on its international division.

Compared to Panagra, L.A.D.'s routes have a substan-

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[fol. 1768] tially higher traffic density. This is shown in terms of revenue ton miles per route mile per day, revenue passengers per route mile, and revenue passenger miles per route mile per day (172 for L.A.D. compared to 81 for Panagra in the year ended 1955).

Even if the Braniff traffic were added to Panagra, the traffic density of the West Coast routing is still markedly below the density of L.A.D.'s East Coast and Caribbean routes (111 revenue passenger miles per route mile per day for the West Coast carriers, compared to the 172 for L.A.D.).

COMPARISON OF GROUND AND INDIRECT EXPENSE RATIOS
PANAGRA VS. SELECTED INTERNATIONAL CARRIERS

1954 and 1955

	Average - All Int'l. Carriers 1954	Average - All Int'l. Carriers 1955	Braniff International 1954	Braniff International 1955	Pan American LAD 1954	Pan American LAD 1955	Panagra 1954	Panagra 1955
	Cents per available ton-mile							
DIRECT FLYING EXPENSE								
Flying Operations	11.53¢	11.04¢	11.57¢	10.46¢	10.49¢	9.68¢	12.19¢	11.21¢
Direct Maintenance - Flight Equipment	3.58	3.53	3.57	3.88	3.42	3.18	4.29	3.61
Depreciation - Flight Equipment	3.25	2.81	[illegible].66	1.57	2.42	1.97	3.33	2.95
	18.36¢	17.38¢	16.80¢	15.91¢	16.33¢	14.83¢	19.81¢	17.77¢
GROUND AND INDIRECT EXPENSE								
Ground Operations	5.06¢	4.77¢	5.44¢	5.19¢	5.50¢	5.09¢	7.39¢	6.80¢
Ground and Indirect Maintenance	2.60	2.45	2.08	2.03	2.31	2.27	4.17	3.77
Passenger Service	2.61	2.72	2.15	2.23	2.64	2.59	2.92	3.03
Traffic and Sales	4.73	4.66	4.37	4.30	4.78	4.56	5.71	5.74
Advertising & Publicity	1.67	1.64	1.10	1.36	1.61	1.50	3.04	3.22
General & Administrative	3.37	3.18	2.68	2.68	3.52	3.15	5.38	5.17
Depreciation - Ground Equipment	0.40	0.36	0.58	0.49	0.36	0.31	0.45	0.37
	20.44¢	19.78¢	18.40¢	18.28¢	20.72¢	19.47¢	29.06¢	28.10¢
TOTAL OPERATING EXPENSE	38.80¢	37.16¢	35.20¢	34.19¢	37.05¢	34.30¢	48.87¢	45.87¢
RATIO G. & I. TO TOTAL	52.7%	53.2%	52.3%	53.5%	55.9%	56.8%	59.5%	61.3%

SOURCE: Comparative Statement of Air Carriers Profit and Loss and Earned Surplus, Air Transport Association of America

ANNEX J
TABLE II

COMPARISON OF ROUTE CHARACTERISTICS OF PANAGRA PAN AMERICAN L.A.D. AND BRANIFF INTERNATIONAL

1954 and 1955

	Panagra		Pan American - L.A.D.		Braniff International	
SCHEDULED OPERATIONS	1954	1955	1954	1955	1954	1955
Weighted Average Route Miles Operated	5,697	5,453	14,990	15,009	6,898	6,898
Revenue Ton Miles	19,649,000	20,474,000	113,898,000	127,578,000	10,719,000	9,875,000
RTMs per Route Mile	3,449	3,755	7,598	8,500	1,554	1,432
RTMs per Route Mile per day	9.45	10.29	20.82	23.29	4.26	3.92
Revenue Passengers	133,109	136,408	870,816	1,030,013	34,397	34,812
Passengers per Route Mile	23.36	25.02	58.09	68.63	4.99	5.05
Revenue Passenger Miles	149,099,000	160,681,000	821,969,000	944,673,000	80,409,000	75,291,000
RPMs per Route Mile	26,171	29,467	54,834	62,940	11,657	10,915
RPMs per Route Mile per day	71.70	80.73	150.23	172.44	31.94	29.90
Average Trip Length (RPMs per Passenger)	1,120	1,178	944	917	2,338	2,163
Number of Passenger Stations	23	23	44	44	11	11
Route Miles per Station	248	237	341	341	627	627
Revenue Passenger Miles per Station	6,483,000	6,986,000	18,681,000	21,470,000	7,310,000	6,845,000

SOURCE: Comparative Statement of Flight and Traffic Statistics, Air Transport Association of America

ANNEX K

APPLICATIONS PENDING BEFORE THE CIVIL AERONAUTICS BOARD FOR ROUTES TO LATIN AMERICA

Docket No.	
2909	(N.Y.—Mexico City Nonstop Service Case)—Eastern, American and Pan American applications for exclusive authority to operate nonstop between New York and Mexico City. The proposed service would be competitive with the existing operation of Air France. Hearings were completed in November of 1954. Examiner's report has not yet been issued.
2622	(Brazilian Cut Off Route Case)—Braniff application for authority to operate Bogota-Manaos-Goiania-Rio de Janeiro/Sao Paulo. Hearing has not yet been called.
4724-4823	Delta application for Caracas-Manaos-Goiania-Asuncion-Buenos Aires and Pan American application for nonstop Caracas-Asuncion (and presumably on to Buenos Aires). Hearing has not yet been called.
5032	National application to operate Miami-Jamaica-Balboa. Hearing has not yet been called.
6746	American application for nonstop authority between Los Angeles and Mexico City. Western had previously been awarded this route, but Mexico refused to grant operating rights and the President of the U.S. subsequently withdrew his approval of the Western certificate. The legality of this withdrawal is open to question and is an indirect issue in Docket 2902. Hearing has not yet been called.